
GRANT NUMBER 0079-LAO(SF)

GRANT AGREEMENT
(Special Operations)
(Health System Development Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 15 AUGUST 2007

GAS:LAO 32313

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 15 August 2007 between LAO PEOPLE'S DEMOCRATIC REPUBLIC (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement; and

(B) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Consulting Guidelines" means ADB's "Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" dated February 2007, as amended from time to time;

(b) "DOP" means the Department of Organization and Personnel in MOH or any successor thereto;

(c) "DPB" means the Department of Planning and Budgeting in MOH or any successor thereto;

(d) "HEF" means the Health Equity Fund to be piloted under the Project in Xaignabouri, Xiangkhouang and Oudomxai Provinces;

(e) "Goods" means equipment and materials to be financed out of the proceeds of the Grant; and including related services such as transportation, insurance,

installation, commissioning, training, and initial maintenance, but excluding consulting services;

(f) "MOH" means the Recipient's Ministry of Health or any successor thereto;

(g) "PCU" means, for the purpose of the Project, the Project Coordination Unit to be established by the Recipient in MOH prior to the Effective Date of this Grant Agreement to carry out the functions described in paragraph 4 to this Grant Agreement, or any successor thereto;

(h) "PHC" means primary health care;

(i) "Procurement Guidelines" means ADB's "Procurement Guidelines" dated February 2007, as amended from time to time;

(j) "Procurement Plan" means the procurement plan for the Project dated 22 May 2007 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(k) "Project Executing Agency" means, for the purpose of this Grant Agreement, MOH;

(l) "Project facilities" means the health and other facilities to be constructed, provided or maintained under the Project;

(m) "Project provinces" means, the Provinces of Xaignabouri, Oudomxai, Louang Phrabang, Bokeo, Houaphan, Xiangkhouang, Phongsali and Louang Namtha within the territory of the Recipient; and

(n) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement an amount of thirteen million dollars (\$13,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The Goods, Works, and consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods, Works, and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works, and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works, and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works, and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2012 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are

acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 9 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: The PCU shall have been established and a project director shall have been appointed.

Section 5.02. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
P.O. Box 46
23 Singha Road
Vientiane
Lao People's Domestic Republic

Facsimile Number:

(856-21) 41-2142
(856-21) 41-2415
(856-21) 41-2417.

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2228
(632) 636-2305.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

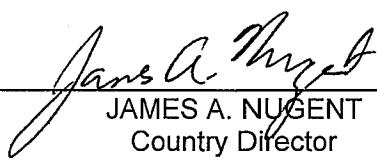
By



H.E. MRS. VIENGTHONG SIPHANDONE
Vice Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



JAMES A. NUGENT
Country Director
Lao PDR Resident Mission

SCHEDULE 1

Description of the Project

1. The overall goal of the Project is to improve health and nutrition status of the population, in particular the poor, women, children and ethnic groups in the Project provinces, through changing the health and nutrition behavior, increasing health services and making the provincial health system more effective, efficient and equitable in delivering PHC.

2. The scope of the Project comprises:

Component 1: Improving PHC delivery

Component 1(a). Improving PHC management and quality of care through:

- Improving PHC management guidelines for the provincial, district and health center levels;
- Introducing the results-based management approach in each of the Project provinces;
- Supporting the in-service training of district health managers;
- Establishing an internet network for at least half of all district health offices;
- Supporting annual in-service training for all managers of health centers;
- Supporting the Project provinces in implementing MOH's guidelines for standards and job descriptions for district hospitals and village health volunteers through workshops and training activities;
- Addressing shortages of staff at health centers in the Project provinces, in particular female staff and staff from ethnic groups, by continuing the PHC worker training program initiated in 2002 under the ADB-financed Primary Health Care Expansion Project;
- Providing managerial and technical support for development of school and hostel, provision of equipment and furniture, curriculum development and stipends for the first two batches of students for a regional PHC school to be constructed in Louang Phrabang;
- Providing in-service training to address the lack of practical skills of health center, district health office and hospital staff; and
- Providing multi-purpose vehicles for provincial outreach, supplementary drugs for the drug revolving funds for district hospitals and health centers, and equipment replacing outdated equipment of health centers.

Component 1(b). Increasing access to PHC through:

- Upgrading the skill of village health volunteers;
- Expanding village drug kits for selected villages and providing bicycles;
- Expanding peer education program;
- Mobilizing village health committees and training peer educators in health care and nutrition promotion activities;
- Supporting the implementation of accepted nutrition interventions;
- Increasing access to safe motherhood services for rural populations;
- Upgrading selected district hospitals and constructing type B hospitals as defined by the Recipient in selected districts;

- Providing ambulances for district hospitals and replacing outdated hospital equipment in selected hospitals;
- Exploring possibility of a hardship allowance for health staff and expediting it, where possible, on a pilot basis; and
- Supporting the expansion of basic health services through the construction, replacement or repair of selected health centers and provision of equipment to such health centers.

Component 1(c). Increasing PHC financing and affordability for the poor through:

- Providing supplementary operational financing for hospitals and health centers, provision of which shall be linked to results such as output of the health facilities; and
- Improving the affordability of health care for the poor in Xaignabouri, Xiangkhouang and Oudomxai Provinces through the province-wide HEF, including providing reimbursement of all public health care costs and transportation for emergencies including obstetric emergencies.

Component 2: Strengthening capacity in health system development

Component 2(a). Strengthening MOH's capacity for human resource development through:

- Strengthening the human resource capacity of DOP through provision of scholarships, opportunity for attachments to human resource departments in the region, operational support, and a long term consultancy to support the human resource development taskforce;
- Strengthening the management information system of MOH workforce;
- Strengthening of human resource management, including the revision of the manual on operations and management of health personnel, development of an orientation program for new staff, development of job descriptions for the provinces, and the development and implementation of performance appraisal tools;
- Supporting the development of standards for training, including reviewing curricula, conducting assessments of graduates, strengthening the in-service training system and developing standard in-service training modules on key topics, and strengthening the capacity of provincial trainers development of annual provincial training plans and provision of training materials and supplies; and
- Facilitating the development of the national human resource policy and a long-term strategic human resource plan.

Component 2(b). Strengthening planning and budgeting through:

- Strengthening capacity of provinces in strategic planning and budgeting based on the concept of an integrated provincial health system as piloted in several districts through (a) strategic planning exercise to improve their

5-year plans and preparation of medium-term expenditure plans, (b) orientation of the provincial governments and other stakeholders, (c) preparation of guidelines, standards, and procedures for strategic planning and budgeting, (d) staff training, (e) provision of international and national consulting services, and (f) provision of equipment, vehicles and operational support; and

- Building capacity of a division of health financing in DPB through provision of scholarships for health economics and/or health policy, consulting services and training on health financing.

Component 2(c). Integrating project administration and coordination through

- Strengthening project implementation capacity of DPB through training on financial management and administration of projects.

3. The Project is expected to be completed by 30 September 2011.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the Grant proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall (i) establish immediately after the Effective Date, an imprest account at the Bank of Lao PDR, and (ii) cause MOH to establish a Second Generation Imprest Account (SGIA) at any bank

acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be Dollars. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) \$1,300,000. The initial amount to be deposited into the SGIA shall be equivalent to six months' estimated expenditure, but in any event shall not exceed the equivalent of \$500,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The SOE procedures will be used to reimburse or liquidate eligible expenditures under contracts not exceeding \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS				
(Health System Development Project)				
		Amount Allocated		ADB FINANCING
		\$		
Number	Item	Category	Subcategory	Percentage and Basis for Withdrawal From the Grant Account
1	Works**	1,230,000		100% of total expenditure*
2	Equipment and Vehicles	2,903,000		100% of total expenditure*
3	Drugs and Supplies	1,108,000		100% of total expenditure*
4	Staff Development	1,999,000		100% of total expenditure*
5	Village Program Training	1,015,000		100% of total expenditure*
6	Workshop, Studies, System Development	605,000		100% of total expenditure*
7	Consulting Services	988,000		100% of total expenditure*
8	Project Management and Coordination	555,000		100% of total expenditure*
9	Operation and Maintenance	1,788,000		100% of total expenditure*
10	Unallocated	809,000		
Total		13,000,000		

*Exclusive of local taxes and duties

**Excluding the construction of a regional PHC school in Louang Phrabang, financed by the Recipient

SCHEDULE 3

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

National Competitive Bidding
Shopping
Procurement from the specialized agency
Direct Contracting

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. National Competitive Bidding. The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth for Public Bidding as defined and described in Prime Minister's Decree No. 03/PM of the Lao People's Democratic Republic, effective 09 January 2004, and Implementing Rules and Regulations effective 12 March 2004, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

(a) Application

Contract packages subject to NCB procedures shall be those identified as such in the Procurement Plan. Any changes to the mode of procurement from those provided in the Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

(b) Eligibility

Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

- (c) Advertising
Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised concurrently with the general procurement notices on ADB's website.
- (d) Procurement Documents
The standard procurement documents provided to the Ministry of Finance, Procurement Monitoring Office shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted to ADB for review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures as set forth in the Procurement Plan. The ADB-approved procurement documents shall then be used as a model for all procurement financed by ADB for the Project, and need not be subjected to further review unless specified in the Procurement Plan.
- (e) Preferences
(i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
(ii) Suppliers and contractors shall not be required to purchase local goods or supplies or materials.
- (f) Rejection of all Bids and Rebidding
Bids shall not be rejected and new bids solicited without ADB's prior concurrence.
- (g) National Sanctions List
National sanctions lists may be applied only with prior approval of ADB.
- (h) Corruption Policy
A bidder declared ineligible by ADB, based on a determination by ADB that the bidder has engaged in corrupt, fraudulent, collusive, or coercive practices in competing for or in executing an ADB-financed contract shall be ineligible to be awarded ADB-financed contract during the period of time determined by ADB.
- (i) Disclosure of Decisions on Contract Awards
At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be published in a local newspaper or well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, (iv) name of the winning Bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency/implementing agency shall

respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

(j) Member Country Restrictions

Bidders shall be nationals of member countries of ADB, and offered goods, works and services shall be produced in and supplied from member countries of ADB.

C. Selection of Consulting Services

5. The Recipient shall apply the following methods for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Least-Cost Selection for architect and accounting;
Consultants' Qualifications Selection for accounting, and architect and engineering; and
Fixed Budget Selection for social development, human resources development, health information and health care financing through a consulting firm.

6. Individual Consultants. The Recipient shall recruit individual consultants for PHC system expert, health policy and planning expert, and health economist positions in accordance with ADB's procedures for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

7. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

8. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Procurement Decisions

9. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project and Operation of Project Facilities; Financial and Other Matters

A. Project Management

1. MOH shall be the Project Executing Agency. The director of DPB shall be the project director, and shall be assisted by the PCU. The Project shall be implemented by DPB, DOP and provincial health offices in the Project provinces, in coordination with the Cabinet and MOH's Departments of Curative, Prevention and Hygiene, Food and Drug and Inspection.

2. MOH steering committee, chaired by the Minister of Health, shall be responsible for providing overall guidance for Project implementation and shall comprise representatives of MOH's departments concerned and, if necessary, representatives of the Ministry of Finance, Ministry of Education, Committee for Planning and Investment, Ministry of Foreign Affairs and Prime Minister's Office. Task forces for human resource development, PHC and health financing shall provide technical guidance for Project implementation on a monthly basis.

3. The PCU, managed by two deputy directors and a planning and budgeting officer, shall be responsible for (i) overall Project coordination; (ii) liaison with the Recipient's relevant departments and agencies; (iii) preparing and managing the annual plan and budget; (iv) providing guidance to implementing agencies; (v) monitoring compliance of social and environmental safeguards and ensuring that ADB requirements are being complied with; (vi) Project monitoring and evaluation; (vii) submitting quarterly progress and financial reports; and (viii) conducting reviews and surveys. DPB shall be responsible for (i) procuring goods and services, (ii) retaining consulting services, and (iii) administrative and financial management.

4. At provincial level, the Project shall be managed directly by provincial health offices, through the existing PHC coordinating units. The provincial steering committees, chaired by the vice governors and comprising representatives from the provincial health offices, the provincial planning and budgeting departments, the Lao Women's Union and other offices, shall provide oversight to Project activities at provincial level. Similar arrangements to the provincial level Project management shall be made at district level, and the village health committees shall oversee Project implementation at village level.

B. Annual Planning and Budgeting

5. The Recipient shall ensure that each of the Project provinces submit an annual plan and budget to MOH no later than 30 September 2007 and in each year thereafter. Each plan and budget shall cover all available sources and suggested uses of funds for the provincial public health sector and clearly identify capital and recurrent expenditures.

C. Operation and Maintenance

6. The Recipient shall cause each of the Project provinces to ensure that from September 2008 onwards, an annual budget is made available for operations and maintenance of village health programs, the health centers and the district hospitals, based on agreed projections between ADB and the Recipient.

D. Flow of Funds

7. The Recipient shall ensure that transfer of the Grant proceeds to MOH and the Project provinces, and reimbursement of any expenditure in accordance with paragraph 5 of Schedule 2 to this Grant Agreement are carried out in a timely manner.

E. Counterpart Financing

8. The Recipient shall ensure that all necessary counterpart funds for Project implementation are provided in a timely manner.

F. Gender Strategy and Action Plan

9. The Recipient, through MOH, shall ensure that (i) the Gender Strategy and Action Plan, agreed under the Project, is incorporated in each provincial annual plan in accordance with the terms of such Action Plan, gender related activities are implemented in a timely manner and adequate resources are allocated for its preparation and implementation; and (ii) the proportions of female students in training programs under the Project are in accordance with those for the respective training programs, as indicated in the Project Gender Strategy and Action Plan.

G. Ethnic Groups

10. The Recipient shall ensure that measures, satisfactory to ADB, are undertaken to promote full participation of ethnic groups in Project activities, including developing mechanisms to include ethnic groups in capacity building and training activities. The Recipient shall further ensure that Project activities are carried out in accordance with the specific actions for ethnic groups as agreed under the Project and ADB's *Policy on Indigenous Peoples* (1998).

H. Involuntary Resettlement

11. The Recipient shall ensure that district hospitals and health centers are upgraded on existing land and that construction of new health centers is carried out only on vacant land and idle land owned by the Recipient that is free from any encumbrances, habitation, dispute or controversy. Among other things, the Recipient, through MOH, shall screen all Project activities for land acquisition and resettlement impacts.

12. In the event that any resettlement impacts are detected for a Project activity, the Recipient shall (i) prepare a resettlement plan for such activity in accordance with the agreed Resettlement Framework prepared for the Project and ADB's *Involuntary*

Resettlement Policy (1995), and (ii) ensure that (a) only sites with nonsignificant (Category B, as defined in the resettlement framework) land acquisition and involuntary resettlement impacts will be selected; (b) land does not belong to vulnerable households and is free of any disputes or controversies; (c) there will be no built houses on land to avoid relocation of people; (d) there will be no voluntary donation of land or other assets; (e) resettlement plans will be prepared based on detailed technical design, disclosed to affected persons and submitted to ADB for review and approval; and (f) all compensation and rehabilitation assistance will be paid prior to dispossession from assets.

I. Environment

13. The Recipient, through MOH, shall ensure that (i) the construction and operation of all health facilities comply with all applicable laws and regulations of the Recipient and ADB's environmental policies and regulations, specifically ADB's *Environment Policy* (2002); and (ii) ADB is duly informed if construction of any health facility requires removal of hazardous materials.

J. HEF Management

14. The Recipient shall ensure that before HEF is disbursed to eligible recipients, MOH submits guidelines for use and management of HEF to ADB for approval. The guidelines shall include, among other things, (i) eligibility criteria for the recipients, (ii) eligible expenditures that may be financed by HEF, (iii) administration mechanism of HEF including accounting and funds flow, and (iv) reporting mechanism. Once approved, MOH shall ensure that activities financed by HEF are implemented in accordance with the agreed guidelines.