
GRANT NUMBER 0173-LAO(SF)

PROJECT GRANT AGREEMENT
(Special Operations)
(Health Sector Development Program)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 23 NOVEMBER 2009

GAS:LAO 41376

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 23 November 2009 between LAO PEOPLE'S DEMOCRATIC REPUBLIC (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a Project grant for the purposes of the Project part of the Health Sector Development Program ("HSDP") as described in Schedule 1 to this Grant Agreement; and

(B) ADB has also received from the Recipient a development policy letter dated October 2009 (the "Policy Letter"), setting forth certain objectives, policies and actions, designed to develop the Recipient's health sector and, by a Program Grant Agreement of the same date as this Project Grant Agreement between the Recipient and ADB (the "Program Grant Agreement"), ADB has agreed to provide a Program grant to the Recipient in an amount of ten million Dollars (\$10,000,000) from ADB's Special Funds resources for the purposes of the Program part of the HSDP;

(C) ADB has, on the basis inter alia of the foregoing, 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) "ADB's Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook dated January 2007, as amended from time to time;

(b) "AOPB" means Annual Operating Plan and Budget prepared by the PHOs, approved by the Governor of the relevant Participating Province, and endorsed by MOH;

(c) "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;

(d) "DHOs" means District Health Offices of MOH or any successor thereto;

(e) "DPF" means the Department of Planning and Finance of MOH or any successor thereto;

(f) "GEGAP" means gender and ethnic group's action plan dated 4 September 2009, agreed between ADB and the Recipient for the implementation of HSDP;

(g) "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;

(h) "HEFs" means health equity funds;

(i) "IEE" means the initial environmental examination dated 8 September 2009, prepared for the Project and agreed between ADB and the Recipient;

(j) "LARF" means the land acquisition and resettlement framework dated 4 September 2009, prepared for the Project and agreed between ADB and the Recipient;

(k) "MNCH" means maternal, newborn, and child health care;

(l) "Model healthy village" means a village that maintains basic conditions needed to lead a healthy life;

(m) "MOF" means the Ministry of Finance of the Recipient or any successor thereto;

(n) "MOH" means the Ministry of Health of the Recipient or any successor thereto;

(o) "NIAs" mean any or all national implementing agencies established in accordance with paragraph 4 of Schedule 4 to this Grant Agreement or any successor thereto acceptable to ADB;

(p) "Participating Provinces" means any or all of the following 17 provinces of the Recipient where the HSDP shall be implemented: (i) Phongsaly; (ii) Luangnamtha; (iii) Oudomxay; (iv) Bokeo; (v) Luangprabang; (vi) Houaphanh; (vii) Xayabouly; (viii) Xiengkhouang; (ix) Savannakhet; (x) Salavan; (xi) Sekong; (xii) Champasack; (xiii) Attapeu; (xiv) Vientiane Capital; (xv) Vientiane; (xvi) Khammouane; and (xvii) Bolikhamxay.

(q) "PCU" means the Project coordination unit as described in paragraph 3 of Schedule 4 to this Grant Agreement;

(r) "PHC" means primary health care;

(s) "PHOs" means Provincial Health Offices of MOH or any successor thereto;

(t) "PIAs" mean any or all provincial implementing agencies established in accordance with paragraph 5 of Schedule 4 to this Grant Agreement;

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

(v) "Procurement Plan" means the procurement plan for the Project dated 2 October 2009 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; and

(w) "Project Executing Agency" or "EA" means, for the purposes of, and within the meaning of, this Grant Agreement, MOH, through DPF, or any successor thereto acceptable to ADB, which is responsible for the overall implementation and coordination of the Project;

(x) "PSC" means the Project steering committee established in accordance with paragraph 2 of Schedule 4 to this Grant Agreement;

(y) "RP" means any of the resettlement plans to be developed by the Recipient in accordance with the LARF and submitted to ADB for approval; and

(z) "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 Grant Agreement an amount of ten million Dollars (\$10,000,000).

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, 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, 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 Works 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 30 June 2014 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 nine (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 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 Program Grant Agreement shall have been duly executed and delivered on behalf of the Recipient and all conditions precedent to its effectiveness (other than the effectiveness of this Grant Agreement) shall have been fulfilled.

Section 5.02 A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of this 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
PO Box 46
23 Singha Road
Vientiane, Lao PDR

Facsimile Number:

+856 21 412142.

For ADB

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

Facsimile Numbers:

+632 636 2444
+632 636 2228.

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

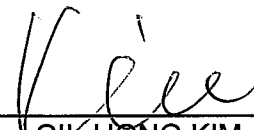
By



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

ASIAN DEVELOPMENT BANK

By



GIL-HONG KIM
Country Director
LAO Resident Mission

SCHEDULE 1

Description of the Project

1. The Project aims to help the Recipient in strengthening its provincial planning and budgeting, increase access to MNCH services through upgrading or renovating four (4) hospitals and 45 health centers, increasing in-service training in particular for skilled birth attendants, upgrading training programs for PHC workers, improving pre-service training, and helping roll out priority programs for mother and child friendly services, the model healthy villages and the provincial HEFs. The expected impact of the Project is reduced maternal and child mortality and malnutrition by 2015. The intended outcome of the Project is improved use of health services, in particular for the poor, women and children, and ethnic groups.

2. The Project scope comprises three (3) outputs in the Participating Provinces:

Output 1: Strengthened Planning and Financing

- (i) providing support for preparation and implementation of the results-based AOPBs;
- (ii) providing support for adaptation of guidelines, standards, and procedures for strategic planning, budgeting and management of the health sector;
- (iii) providing support to establish the flow of funds mechanism for HSDP financed block grants;
- (iv) establishing a temporary financial control unit in MOH to support the Participating Provinces and MOF in the management of block grants to mitigate delays in the release of funds, and conducting periodic inspections of the use of HSDP funds;
- (v) supporting MOH to prepare guidelines and terms of reference for DHOs and district hospitals, including standards for organizational structure, personnel, management responsibilities, performance criteria, facilities, and equipment and drugs required for district hospitals; and
- (vi) providing support for the expansion of HEFs by (a) aligning it with other HEF schemes; (b) contracting and training; (c) advocacy at the provincial level; (d) capacity building of MOH and relevant provincial departments in HEFs' management, the preparation of a strategic plan for HEFs, and the preparation of national guidelines for HEFs' implementation; (e) training of HEFs' management committees and staff; (f) providing field support and fund management oversight by a third-party HEFs managing agency; and (g) providing technical support required for HEFs' implementation.

Output 2: Increased Access to MNCH Care

- (i) providing support to prepare the Participating Provinces to implement the MNCH strategy through a district-wise roll-out of mother- and child-friendly health facilities in the northern Participating Provinces to improve access to maternal and child care services in priority districts with high maternal mortality by (a) helping to conduct national health services survey for implementing MNCH strategy in northern Participating Provinces; (b) providing need based necessary equipment at all levels; (c) upgrading of Bounneua district hospital type B to type A in Phonsaly province; (d) upgrading Nam Bak district hospital to type A in Luang Prabang province; (e) renovating Vien Kham district hospital type B in Luang Prabang province, and Mork-mai district hospital type B in Xiengkhouang province; (f) replacing ten (10) health centers and renovating ten (10) health centers in Luang Prabang, Oudomxay, and Xiengkhouang Provinces; and (g) supporting nation-wide assessment, advocacy, training and piloting for the National Integrated Health Care Waste Management Plan;
- (ii) supporting MOH to achieve its target of piloting the model healthy village in at least two (2) villages in all Participating Provinces (a total of about 282 villages) in the first two (2) years of Project implementation; and further roll-out the model healthy village with at least proportional representation of small and isolated ethnic group villages; and
- (iii) providing capacity building program for the PHOs and DHOs to organize, implement, supervise, and monitor model healthy villages.

Output 3: Improved Quality of Human Resources for Health

- (i) providing support for about one third of the projected in-services training in the skilled birth attendance plan till 2012 for up to one million Dollars (\$1,000,000) including training of about 500 staff, including obstetricians, medical officers, midwives, nurses, medical assistants, and PHC workers in better skilled birth attendance; and
- (ii) providing human resource development support by (a) addressing weaknesses in the pre-service training and education of health personnel who enter the health workforce; (b) developing master plans for the Recipient's University of Health Science and the College of Health Technology; and (c) providing teaching equipment and upgrading skills of teaching staff of these institutions.

3. The Project is expected to be completed by 31 December 2013.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of 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 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 expenditure; 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, the Grant proceeds for financing Goods, Works, consulting services and other items shall be disbursed in accordance with ADB's Loan Disbursement Handbook.

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 DPF to establish immediately after the Effective Date, a Second Generation Imprest Account (SGIA) at a commercial bank acceptable to MOH and ADB. The imprest account and the SGIA 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 and SGIA shall be Dollars. The amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the next six (6) months of Project implementation; or (ii) the equivalent of ten percent (10%) of the Grant amount. The amount to be deposited into the SGIA, from the deposit into the imprest account, shall be equivalent to six (6) months' estimated expenditure to be financed from the imprest account, but in any event shall not exceed five percent (5%) of the Grant amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed one hundred thousand Dollars (\$100,000).

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Health Sector Development Program)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated \$ Category	Percentage and Basis for Withdrawal from the Grant Account
1	Works	1,240,000	100 percent of total expenditure*
2	Equipment and Vehicles	2,347,000	100 percent of total expenditure*
3	Staff Development	1,875,000	100 percent of total expenditure*
4	Workshops, Studies, System Development	548,000	100 percent of total expenditure*
5	Consulting Services	977,000	100 percent of total expenditure*
6	Project Management	983,000	100 percent of total expenditure*
7	Operation and Maintenance	1,350,000	100 percent of total expenditure*
8	Unallocated	680,000	
	Total	10,000,000	

* Exclusive of taxes and duties imposed within the territory of the Recipient.

SCHEDULE 3

Provisions on Procurement and Consulting Services

A. General

1. All Goods, 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

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 Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Recipient and ADB.

C. Conditions for Award of Contract

5. The Recipient shall not award any Works contracts financed under the Grant until the relevant RP, if any, shall have been prepared in accordance with the LARF and approved by the Recipient and ADB; and objections (if any) raised by Project affected people shall have been addressed and compensation, as per the LARF/RP, has been given to the Project affected people before disposition of assets.

D. Selection of Consulting Services

6. The Recipient shall apply the Consultants' Qualifications Selection method for selecting and engaging the architect and accounting services, in accordance with, among other things, the procedures set forth in the Procurement Plan.

7. The Recipient shall recruit (i) international consultants for Program management, MNCH services, medical education development, gender issues, and HEFs; and (ii) national consultants having expertise in planning and budgeting, health systems, community health development, gender issues, and medical education development, as individual consultants in accordance with the procedures acceptable to ADB for recruiting individual consultants.

E. Industrial or Intellectual Property Rights

8. (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.

9. 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.

F. ADB's Review of Procurement Decisions

10. Contracts procured under the national 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 Matters

Project Implementation and Coordination

1. Project Executing Agency. MOH, acting through DPF shall be the EA for the Project responsible for the overall implementation and coordination of the Project.
2. Project Steering Committee. The MOH Steering Committee chaired by the Minister of Health and comprising the vice ministers of MOH and representatives of various departments of MOH shall act as the PSC to provide overall guidance in Project implementation. MOF, the Ministry of Planning and Investment, and other ministries shall join the PSC as required.
3. PCU. Within DPF, the already established PCU headed by the Deputy Director General of the DPF as HSDP Director shall serve as Project PCU. The PCU shall comprise three (3) deputy directors, two (2) administration officers, and one (1) private firm for accounting services and shall be responsible for (i) Project coordination; (ii) preparing and managing the Project annual plan and budget; (iii) providing guidance to NIAs and PIAs; (iv) monitoring social and environmental safeguards; (v) ensuring that ADB requirements are being complied with; (vi) monitoring and evaluating the Project; (vii) submitting quarterly progress and financial reports to ADB; (viii) conducting reviews and surveys; (ix) major Works and procurement of goods and services; (x) hiring consulting services, and (xi) administrative and financial management.
4. NIAs. Within MOH, NIAs shall be established under the Departments of Organization and Personnel, Curative, Food and Drugs, and MNCH hospital. NIAs shall be responsible for planning, implementing and reviewing delegated Project activities within their responsibilities.
5. PIAs. PHOs in the Participating Provinces, through their Primary Health Care Coordination Units shall act as Project PIAs and shall be responsible for (i) supporting the preparation of annual operational plans; (ii) facilitating the processing and implementation of conditional grants; (iii) implementing provincial Project activities and ensuring the quality of these activities, including training and minor Works procurement; and (iv) financial management of the Project.

Project Execution

6. Counterpart Financing. The Recipient shall ensure that the counterpart financing necessary for the Project is provided in time, and that MOH, through DPF, make available all funds and resources necessary for construction, operations and maintenance of the Project on a timely basis. MOH shall further ensure that additional counterpart funding is available to cover any funding shortfalls that may incur during Project implementation.
7. Annual Reports, Plans and Budgets. MOH, through DPF, shall ensure that PIAs in each Participating Province prepare annual reports, plans and budgets for every

fiscal year for the approval of the PSC and shall further ensure that PSC approves these annual reports, plans and budgets in a timely manner.

8. Internal Financial Control. The Recipient shall ensure that the Internal Financial Control Unit, Department of Planning and Finance of MOH has been empowered to conduct periodic inspection of HSDP accounts in the Participating Provinces.

Social and Environmental Safeguards

9. Resettlement. MOH shall ensure that in the event that any resettlement impacts are detected for an activity (i) the RP for such activity in accordance with the LARF and ADB's *Involuntary Resettlement Policy* (1995) is prepared; (ii) RPs are prepared on the basis of the detailed technical design, disclosed to Project affected people, and submitted to ADB for review and approval; and (iii) all compensation and rehabilitation assistance is paid before disposition of assets.

10. Gender and Ethnic Groups. MOH shall ensure that the GEGAP is fully implemented and that all Project activities are designed and implemented in accordance with ADB's *Policy on Gender and Development* (1998) and *Policy on Indigenous People* (1998) including, but not limited to: (i) 40% female participation in HSDP supported training programs; (ii) inclusion of equitable provisions relating to the MNCH, gender, and ethnic groups in AOPBs; (iii) inclusion of provisions for gender and ethnic groups for all targets relating to workforce and consumers in all guidelines, terms of reference, policies, master plans, strategies, and action plans developed under the HSDP; and (iv) all monitoring and evaluation data disaggregating by sex and ethnicity.

11. Environment. MOH shall ensure that the construction and/or upgrading of all health facilities comply with all applicable laws and regulations of the Recipient, the IEE, and the ADB's *Environment Policy* (2002). MOH shall further ensure that (i) ADB is informed if the construction and/or upgrading of any health facility requires the removal of hazardous materials; (ii) Decree 1706 on health facility waste management and National Integrated Health Care Waste Management Plan is disseminated; and (iii) the Health Care Waste Management Guidelines developed by World Health Organization are translated in Lao language and are adopted by the Recipient.

Governance and Anticorruption Measures

12. Governance Measures. MOH shall ensure that (i) relevant provisions of ADB's *Anticorruption Policy* (1998, as amended to date) are included in all bidding documents for the Project; (ii) MOH staff not familiar with ADB's *Anticorruption Policy* receive orientation; (iii) the system of notice board display of information at the PHOs is established to display, among other things, information on contracts, list of participating bidders, name of the winning bidder, basic details on bidding procedures, contract award, and list of Goods and services procured; and (iv) the steering committee of MOH comprising representatives from MOF, Ministry of Planning and Investment, Ministry of Justice, and ADB acts as the grievance redress body to (a) receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities; (b) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively respond to them.

13. Project Accounting, Auditing, and Reporting. Without limitation to the overall application of Section 4.02 of this Grant Agreement, MOH shall, and shall cause the PIAs to ensure, that (i) separate records and accounts are maintained for the Project to identify Goods and services financed under the Project; (ii) Project accounts, including financial statements, are audited annually by the Recipient's State Audit Organization or any other certified auditor acceptable to ADB, using international accounting and auditing standards; (iii) the auditor's report and copies of the certified accounts and related financial statements, including auditor's opinion on the use of Grant proceeds, and compliance with Grant covenants, is submitted to ADB no later than nine (9) months after the close of each fiscal year in English language; and (iv) a separate audit opinion is issued on the use of the imprest account and statement of expenditure procedures.

14. MOH shall ensure that (i) quarterly progress reports on Project implementation are submitted to ADB within 30 days of the end of each quarter; (ii) the progress reports are in English and in a format acceptable to ADB and include, among other things, progress made against established targets, problems encountered during the previous quarter, steps taken to resolve problems, compliance with Grant covenants, and the proposed program of activities for the succeeding quarter; and (iii) a Project completion report is submitted to ADB, within three (3) months after physical completion of the Project, providing details of Project implementation and accomplishments, outstanding issues, and proposed remedial actions.

15. Project Review. The Recipient and ADB shall conduct joint HSDP reviews, including Project midterm and completion reviews. The reviews shall (i) focus on Project outcome, activities, inputs, administration, policy reforms provided in the Policy Letter, and institutional and sustainability aspects including aid coordination; and (ii) examine compliance with social, environmental, financial, and other covenants in this Grant agreement.