
GRANT NUMBER 0026-LAO(SF)

GRANT AGREEMENT
(Special Operations)

(Greater Mekong Subregion: Regional Communicable Diseases Control Project)

(Lao PDR Component)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 16 DECEMBER 2005

GAS:LAO 37604

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 16 December 2005 between LAO PEOPLE'S DEMOCRATIC REPUBLIC (hereinafter called Recipient) and ASIAN DEVELOPMENT BANK (hereinafter called 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;

(B) the Socialist Republic of Viet Nam has applied to ADB for a grant (hereinafter called the Viet Nam Grant) for the purpose of carrying out the activities described in a Grant Agreement of even date between the Socialist Republic of Viet Nam and ADB (hereinafter called the Viet Nam Grant Agreement);

(C) the Kingdom of Cambodia has applied to ADB for a grant (hereinafter called the Cambodia Grant) for the purpose of carrying out the activities described in a Grant Agreement of even date between the Kingdom of Cambodia and ADB (hereinafter called the Cambodia Grant Agreement);

(D) the Recipient, the Kingdom of Cambodia and the Socialist Republic of Viet Nam have also applied to the World Health Organization (hereinafter called WHO) for a grant in an amount equivalent to nine hundred thousand dollars (\$900,000) to assist in financing a part of the Project; and

(E) 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) "AOP" means, for the purpose of the Project, the Project's annual operational plan;
- (b) "CDC" means, for the purpose of the Project, communicable disease control;
- (c) "DHP" means the Department of Hygiene and Prevention of the Recipient's MOH, or any successor thereto;
- (d) "DBP" means the Department of Planning and Budgeting of the Recipient's MOH, or any successor thereto;
- (e) "HIV/AIDS" means human immunodeficiency virus/acquired immunodeficiency syndrome;
- (f) "IHR 2005" means the International Health Regulations endorsed by the World Health Assembly, and any amendments thereto;
- (g) "IMCI" means the Integrated Management of Childhood Illness;
- (h) "MOH" means the Borrower's Ministry of Health, or any successor thereto;
- (i) "MSC" means, for the purposes of the Project, the MOH Steering Committee, as more fully described in paragraph 2 of Schedule 5 to this Grant Agreement;
- (j) "Participating Countries" means, for the purpose of the Project, the Kingdom of Cambodia, Lao People's Democratic Republic and Socialist Republic of Viet Nam;
- (k) "PMU" means the Project Management Unit established in DHP, as more fully described in paragraph 3 of Schedule 5 of this Grant Agreement;
- (l) "Pooled Fund" means, for the purpose of the Project, a part of the Grant proceeds to be retained and administered by ADB for funding activities under Component 3 of the Project;
- (m) "Project Executing Agency" for the purpose of, and within the meaning of, the Grant Regulations means MOH which is responsible for carrying out the Project;
- (n) "Project facilities" means the health and other facilities to be constructed, provided or maintained under the Project;
- (o) "Project provinces" means the prioritized provinces within the territory of the Recipient, which were selected to participate in the Project, and any successors thereto acceptable to ADB;
- (p) "RCU" means, for the purpose of the Project, the Regional Coordination Unit to be established under the Project; and
- (q) "WHO" means the World Health Organization.

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 six million dollars (\$6,000,000).

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 and 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 and 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 and services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 and Schedule 4 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of goods and services shall be made only on account of expenditures relating to:

- (a) goods which are produced in and supplied from and 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 and 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 2010 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 5 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 Recipient's auditors, 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 are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

(a) MOH shall have issued clear guidelines for implementing the Project specifying (i) the roles and responsibilities of the Project Executing Agency, implementing agency and other concerned agencies, and (ii) the arrangements for the Project's fund flow;

(b) the PMU shall have been established and become operational in a manner satisfactory to ADB; and

(c) at least one of the Cambodian Grant Agreement and/or the Viet Nam Grant Agreement shall have been duly executed and delivered, and all conditions to the effectiveness of such Grant Agreement (other than a condition requiring the effectiveness of this Grant Agreement) shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB.

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

Minister of Finance
Ministry of Finance
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

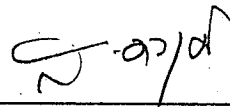
Facsimile Numbers:

(632) 636-2444
(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.

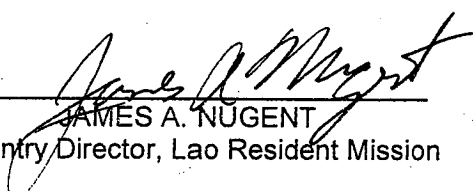
LAO PEOPLE'S DEMOCRATIC
REPUBLIC

By


SOMDY DOUANGDY
Vice Minister of Finance

ASIAN DEVELOPMENT BANK

By


JAMES A. NUGENT
Country Director, Lao Resident Mission

SCHEDULE 1

Description of the Project

1. The overall goal of the Project is to contain the spread of epidemic diseases at local level and reduce the burden of common endemic diseases in the Participating Countries. The Project aims to achieve (i) timely and adequate control of epidemics likely to have major impact on the region's public health and economy; (ii) improved coverage of prevention and care of communicable diseases in vulnerable populations, in particular poor women and children living in border areas; (iii) improved know-how, policies, standards, and coordination of countries to improve CDC, including for HIV/AIDS control; and (iv) efficient Project management.

2. The Project consists of the following components:

Component 1: Strengthening National Surveillance and Response Systems

Component 1.1. Strengthening institutional structures, partnerships and policies: Strengthening communications and collaborations across institutional structures to review and revise policies and legislation that will facilitate surveillance and response and develop long-term strategic plans for controlling communicable diseases. The component includes (i) developing models and mechanisms to strengthen partnerships within the health sector and with other sectors, and (ii) reviewing current legislation and regulations governing communicable diseases surveillance and response, including those related to border quarantine, and developing them to support implementation of the IHR 2005 of WHO.

Component 1.2. Strengthening systems of surveillance, response, and preparedness: Strengthening all elements and linkages in the systems of surveillance, response and preparedness including (i) conducting pilot studies in the Project provinces to assess feasibility of an integrated approach to surveillance of all notifiable diseases; (ii) developing, and pilot-testing in selected localities, community education and mobilization programs and preparedness plans for outbreak response and for pandemic influenza; and (iii) holding regional technical forums on surveillance and response systems.

Component 1.3. Strengthening laboratory facilities and services: Strengthening the capacity of reference and provincial laboratories to diagnose priority communicable diseases and to participate effectively in outbreak response through (i) developing and implementing national systems of quality assurance and bio-safety; and (iii) developing mechanisms to facilitate information-sharing between laboratories across the country, and between laboratories and the preventive health centers including developing a national laboratory-based surveillance system for selected pathogens.

Component 1.4. Human resources development: Supporting in-service training including (i) developing and implementing a continuing education program for all levels of the health workforce; and (ii) supporting universities and other training institutions for medical professionals to develop and implement undergraduate curricula in surveillance, response and preparedness, and the IHR 2005.

Component 2: Improving CDC for Vulnerable Populations

Component 2.1. Strengthening the capacity of integrated CDC in the Project provinces with a major burden of communicable diseases and large vulnerable groups: Strengthening the capacity to mainstream IMCI and to integrate various disease control activities into provincial health services by (i) mainstreaming CDC in provincial planning and management; (ii) providing management tools for integrating CDC in provincial health service delivery; (iii) technical, supervision and quality assurance support for implementation. The component includes providing the Project provinces with limited additional funds for training and supervision, mainstreaming CDC in their health systems, and expanding IMCI.

Component 2.2. Control of priority endemic diseases in the Project provinces: (i) Providing support to the Project provinces for addressing dengue/dengue hemorrhagic fever, diarrheal diseases and worm infections; (ii) supporting behavioral change and communication campaigns and other activities for Japanese encephalitis; and (iii) holding regional technical forums discussing emerging issues and progress, and exchanging experiences and knowledge about controlling targeted communicable diseases.

Component 2.3. Continuum of care for HIV/AIDS control: Implementing HIV/AIDS continuum of care activities in districts with high-risk populations and along major transport corridors, including (i) behavioral change management, surveys on migrant workers, targeted activities for laborers and service women at construction sites, peer education programs, and testing and counseling, and (ii) holding regional technical forums for HIV/AIDS to discuss progress and emerging issues, and to exchange experiences and knowledge about controlling HIV/AIDS in local situations.

Component 3: Strengthening Regional Cooperation in CDC

Component 3.1. Regional coordination for dialogue on CDC: Promoting regional coordination and peer dialogue among the Participating Countries through holding regional steering committee meetings and technical forums on selected topics for specific diseases, financing CDC and health systems development, targeting vulnerable groups, regulations and standards in the health sector, and regional surveillance and response for emerging diseases.

Component 3.2. Regional operations research and promoting institutional linkages: (i) Supporting a series of high-quality research studies of particular regional aspects of the HIV/AIDS epidemiology in the Participating Countries, and (ii) promoting institutional linkages among health and other institutions in the Participating Countries through conducting joint researches and developing successful interventions that are geographically based in cross-border settings or pertaining to the Participating Countries at the national level.

Component 3.3. Project management: Establishing and supporting a regional steering committee and a regional coordination unit.

3. The Project is expected to be completed by 31 December 2009.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of goods, 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 and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the amount of the Grant allocated to each Category and Subcategory.

Reallocation

3. Notwithstanding the allocation of Grant proceeds 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.

Imprest Account; Statement of Expenditures

4. (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 the PMU to establish, within three months of the Effective Date, a Second Generation Imprest Account (SGIA) at any bank acceptable to ADB. The imprest account and the SGIA's shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Recipient and ADB. The initial amount to be deposited into the imprest account shall not exceed the estimated expenditure for the first 6 months of Project implementation or \$1,000,000, whichever is lower. The initial amount to be deposited into the SGIA's shall be equivalent to six months' estimated expenditure, but in any event not exceeding the equivalent of \$250,000.

Schedule 2

(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" dated January 2001, as amended from time to time, 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 \$20,000.

Pooled Fund

5. Except as ADB may otherwise agree, out of the Grant Proceeds an amount of \$860,000 shall be retained by ADB and be deposited into the Pooled Fund. The Pooled Fund shall be administered and used by ADB in consultation with the Recipient for funding activities under Component 3 of the Project, as more fully described in paragraphs 6 to 8 of Schedule 5 to this Grant Agreement.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Communicable Diseases Control Project)			
Number	Item	Amount Allocated	
		Category	\$,000 Subcategory
1	Investment Cost	3,200	
1A	Civil Works		41
1B	Laboratory and Other Equipment		255
1C	Vehicles		209
1D	System Development		410
1E	Training, Workshops and Fellowships		1,251
1F	Community Mobilization		303
1G	Consulting Services		277
1H	Project Management		454
2	Recurrent Cost	1,531	
2A	Supplies		1,456
2B	Communications		29
2C	Vehicle Operations and Maintenance		46
3	Regional Pool	860	
4	Unallocated	409	
Total		6,000	

SCHEDULE 3

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Grant. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated November 2004 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Recipient.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraphs 6 to 8 below.

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of \$1,000,000 or more shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. (a) Each supply contract for equipment or materials estimated to cost the equivalent of less than \$1,000,000 (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document shall be submitted to ADB for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior ADB approval.

Schedule 3

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Recipient and in accordance with the provisions of the Attachment to this Schedule, for

(a) goods manufactured in the territory of the Recipient, provided that the bidder offering such goods shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods; and

(b) civil works to be carried out by eligible domestic contractors, as defined by ADB.

7. Each supply contract for equipment or materials estimated to cost the equivalent of less than \$100,000 may be awarded on the basis of either (i) local competitive bidding among suppliers in accordance with the standard procurement procedures of the Recipient and acceptable to ADB, or (ii) direct purchase. Where any equipment or materials are to be procured on the basis of local competitive bidding, selection and engagement of suppliers shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed. Civil works contracts for minor rehabilitation of existing facilities and estimated to cost not more than \$100,000 shall be procured on the basis of local competitive bidding.

8. Where any equipment is to be procured directly from the manufacturers of the original equipment or their agents, prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

9. (a) The Recipient shall ensure that all ADB-financed goods and services 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 ADB-financed contracts for the procurement of goods and services 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.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Recipient may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Recipient which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Recipient; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.
- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
- (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
 - (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

Attachment to Schedule 3
(Page 2)

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

SCHEDULE 4

Consultants

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) Surveillance and response;
- (b) Outbreak and hospital preparedness;
- (c) Laboratory virology;
- (d) Health legislation;
- (e) Health information system;
- (f) Dengue fever;
- (g) Endemic disease;
- (h) Health system development;
- (i) HIV/AIDS;
- (j) Regional coordination;
- (k) Project management;
- (l) Sociology; and
- (m) Monitoring and evaluation.

The terms of reference of the consultants shall be as determined by agreement between ADB, WHO and the Recipient.

2. The international consultants whose areas of expertise are indicated in Paragraphs 1(b) to (e) above will be recruited and financed by WHO.

3. The selection, engagement and services of the consultants except for those indicated in Paragraphs 1(b) to (e) above shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Recipient.

4. (a) The international consultants whose areas of expertise are indicated in Paragraphs 1(a), (f) and (g) above, shall be selected and engaged by WHO in accordance with an arrangement, satisfactory to ADB and MOH, to be made between ADB and WHO.

(b) The selection and engagement of the consultants shall be subject to the prior approval of ADB and MOH with regard to their eligibility, competence and experience for carrying out the assignment.

(c) Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract

5. In the event that WHO is unable to provide suitable experts for any of the consulting services specified in Paragraph 4 above, such experts shall be engaged in accordance with such procedures as determined by ADB.

Schedule 4

6. Where domestic consultants are to be engaged, the consultants shall be selected and engaged in MOH in accordance with procedures acceptable to ADB, and the selection and engagement of the consultants shall be subject to the approval of ADB with regard to their competence and experience for carrying out the assignment. As soon as the proposals received have been evaluated but before negotiations are started with the consultants selected for negotiations, ADB shall be furnished with three copies of (i) a list of consultants invited; (ii) an evaluation of the proposals (together with one set of the first-ranked proposal); and (iii) justification for the selection. After the conclusion of negotiations but before the signing of the contract, the contract as negotiated shall be furnished to ADB for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

7. The international consultant for Paragraphs 1(h), (i) and (j) above shall be engaged by ADB in consultation with the Recipient and WHO, and in accordance with ADB's Guidelines on the Use of Consultants.

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.

SCHEDULE 5

Project Implementation and Other Matters

Project Management and Implementation

1. MOH shall be the Project Executing Agency. DHP shall be the implementing agency. The National Center for Laboratory and Epidemiology, the National Center of Malariology, Parasitology, and Entomology, the Center for HIV/AIDS/STI and the Project provinces shall cooperate with the implementing agency.
2. The MSC shall be responsible for reviewing the Project's progress and guiding its implementation. The PSC shall be headed by the Minister of Health and comprise the directors of MOH's departments, the Ministry of Finance, the Ministry of Foreign Affairs and the Committee for Planning and Investment. The MSC meetings shall be held at least on a quarterly basis, or as required.
3. The PMU shall be established in DPB. The Deputy Director General of DHP shall be the project director, and be assisted by a deputy project director. The directors of the National Center for Laboratory and Epidemiology, the National Center of Malariology, Parasitology, and Entomology, and Center for HIV/AIDS/STI, and the Project provinces shall be responsible for implementing relevant project activities. At provincial level, selected activities shall be implemented by the provincial health offices.
4. The Recipient shall ensure that the Project is implemented based on the Project's national AOPs. DHP shall prepare the national AOPs to be submitted to the MSC for approval, and further submit, no later than 31 January of each year, the approved national AOPs to ADB for concurrence. The national AOPs shall be based on AOPs submitted by the Project provinces and national programs for CDC including dengue, HIV/AIDS and endemic diseases, covering all Project activities with corresponding budget.
5. The regional steering committee, which is advisory in nature, shall meet semiannually, which meetings will be hosted by one of the Participating Countries. The regional steering committee shall be chaired by the Minister or Vice Minister of the host country's Ministry of Health, and comprise leading representatives from the Project's steering committees of the Participating Countries, project staff, and ADB and WHO representatives. An RCU shall be established in Hanoi and managed by ADB, and funded by the Pooled Fund. The RCU shall be responsible for regional coordination including liaison with stakeholders, data and document collection, support of international consultants, provision of logistic support, and organization of Project regional workshops/meetings.

Financing by the Pooled Fund

6. The Pooled Fund shall be used for financing (i) the regional steering committee including technical forums; (ii) the RCU including engaging regional coordination consultants; (iii) international technical consultants; and (iv) regional studies and Project cross-border activities. The regional steering committee and RCU shall be financed on the basis of the ratio 30:20:50 for Cambodia, Lao PDR and Viet Nam respectively.

Schedule 5

7. The International technical consultants whose areas of expertise are referred to in Paragraphs 1(a), (f) and (g) of Schedule 4 to this Grant Agreement shall be engaged through, and managed by, WHO with concurrence of MOH and ADB. Such consultants shall be engaged through, and managed by, WHO. Such consultants shall be financed out of the Pooled Fund, representing \$320,000 from the Recipient's grant proceeds, \$480,000 from Cambodia Grant proceeds, and \$800,000 from Viet Nam Grant proceeds pursuant to a project implementation agreement to be entered into between ADB and WHO.

8. Regional studies and Project cross-border activities shall be decided and financed on a case-by-case basis by the Participating Countries through the regional steering committee.

Surveillance and Response

9. The Recipient shall ensure that the Project surveillance and response activities are technically sound, sustainable, participatory and in accordance with the IHR 2005.

Integrated CDC

10. The Recipient shall ensure that the Project activities at provincial level are implemented in a manner that supports mainstreaming CDC in the general provincial health services. By 30 June 2006, MOH and the Project provinces shall prepare, and submit to ADB for approval, implementation plans for integrated CDC in the Project provinces. By 31 January of each year of the Project period, MOH shall submit to ADB annual updates on changes to the integrated CDC plans. Within one year of the Effective Date, all Project provinces shall implement the initial plans.

HIV/AIDS Control

11. The Recipient shall ensure that the HIV/AIDS activities will be planned in consultation with the HIV/AIDS National Steering Committee and coordinated through provincial HIV/AIDS committees and provincial health committees. The Recipient shall further ensure that targeted high risk groups will be provided with continuum of care to prevent HIV/AIDS and sexually transmitted diseases.

Counterpart Funds

12. The Recipient shall ensure that all necessary counterpart funds for Project implementation are provided in a timely manner and to such end, the Recipient shall make timely submissions of annual budget appropriation requests and take all other measures necessary or appropriate for prompt disbursement of appropriate funds during each year of the Project implementation.

Ethnic Minority Development Plan

13. The Recipient shall ensure that a national ethnic minority development plan will be prepared by MOH based on the general guidelines set forth in the agreed project Ethnic Minority Development Plan, and will be implemented in a timely manner and have resources to increase the quality of, and access to, health services received by ethnic minorities.

Gender Action Plan

14. The Recipient shall ensure that a national gender action plan will be prepared by MOH based on the general guidelines set forth in the agreed project Gender Action Plan. The gender action plan shall be implemented in a timely manner, and have adequate resources allocated for both its preparation and implementation.

Resettlement

15. The Recipient shall screen all proposed civil works and ensure that involuntary resettlement impacts are avoided. If any involuntary resettlement is unavoidable, the Recipient shall prepare a resettlement plan in accordance with ADB's Policy on Involuntary Resettlement and submit it to ADB for approval prior to commencing land acquisition activities. The Recipient shall ensure that the resettlement plan will include detailed measurement surveys, compensation unit rates based on replacement cost surveys for all categories of losses and allowances and a final database of affected persons.

Environment

16. The Recipient shall ensure that the operation of all health facilities will comply with all the Recipient's applicable laws and regulations, ADB's Environment Policy of 2002, the summary initial environmental examination and environmental management plan.

Operation and Maintenance

17. The Recipient shall ensure that annually adequate budget is made available to the Project provinces for the operation and maintenance of Project facilities during and after the Project.