

**CONFORMED COPY**

**LOAN NUMBER 7107 CHA**

# **Loan Agreement**

**(Tuberculosis Control Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated March 24, 2002**

**LOAN NUMBER 7107 CHA**

**LOAN AGREEMENT**

AGREEMENT, dated March 24, 2002 between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (Project), has requested the Bank to assist in the financing of the Project;

(B) The Borrower, the United Kingdom, Department for International Development (DFID), and the Bank have entered into an arrangement of even date herewith (Tripartite Arrangement) under which DFID has agreed to make a grant to the Borrower in an amount not exceeding thirty-seven million four hundred forty thousand Dollars (\$37,440,000) (DFID Grant) to assist the Borrower in reducing the cost of the Loan; has appointed the Bank as administrator (Administrator) of the DFID Grant; and agreed to transfer the proceeds of the DFID Grant to the Administrator from time to time and in accordance with the provisions of the said arrangement, which proceeds are to be used to prepay part of the principal amount of the Loan, on the terms and conditions set forth in said arrangement; and the Borrower has confirmed its concurrence with the Loan prepayment arrangements set forth therein; and

NOW THEREFORE the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999 (General Conditions), with the modifications set forth below, constitute an integral part of this Agreement:

(a) Section 5.02 of the General Conditions is modified to read as follows:

“Section 5.02. (a) Upon the Borrower’s request and on such terms and conditions as shall be agreed upon between the Bank and the Borrower, the Bank may enter into special commitments in writing to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Loan notwithstanding any subsequent suspension or cancellation by the Bank or the Borrower.

(b) The terms and conditions referred to in Section 5.02(a) shall include that the Bank will enter into a special commitment provided that: (i) the amount for which the special commitment is being requested has been included in the First Projected Disbursement or the Subsequent Projected Disbursement for the Relevant Six-Month Period (as such terms are defined in the Loan Agreement), as the case may be; and (ii) the amount of monies in TF Number TF050196 (as such term is defined in the Loan Agreement) is not less than the amount of the First DFID Deposit or the Subsequent DFID Deposit for the Relevant Six-month Period, as the case may be.”

(b) Section 3.05 (a) of the General Conditions is modified hereby by adding a new

subparagraph (iii) therein to read as follows:

“or (iii) a portion of the principal amount of the Loan pursuant to the provisions set forth in Schedule 3, Amortization Schedule, to the Loan Agreement.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Allocated Amount” means, in respect of each Project Province, an amount of the Loan proceeds allocated by the Borrower to said Project Province pursuant to the provisions of paragraph 8(c) of Schedule 5 of this Agreement and to be utilized by said Project Province for purposes of carrying out its Respective Part of the Project.

(b) “First DFID Deposit” means the amount of the first deposit of DFID Grant proceeds determined in accordance with Section 2.01(c) of the Tripartite Arrangement and to be deposited into TF050196 pursuant to said Section 2.01(c).

(c) “First Projected Disbursement” means the amount of the first projected disbursement determined in accordance with Section 2.01(b) of the Tripartite Arrangement.

(d) “Implementation Agreement” means in respect of each Project Province, the agreement entered into between the Borrower and said Project Province in accordance with the provisions of paragraph 8 (c) of Schedule 5 to this Agreement and the Annex thereto, as the same may be amended from time to time with the approval of the Bank.

(e) “MOH” means the Borrower’s Ministry of Health, and any successor thereto.

(f) “Ethnic Minorities Development Strategy” means the framework of special programs under the Project aimed at ensuring that ethnic minorities in the Project Provinces receive benefits from the Project in a culturally compatible manner and do not suffer adverse effects as a result of the implementation of the Project, which Framework is an integral part of the Program Management and Technical Guidelines.

(g) “Program Management and Technical Guidelines” means the Program Management and Technical Guidelines dated December, 2001, adopted by the Borrower and the Project Provinces and which sets out the protocol for, inter alia, developing, implementing and managing TB control policies, including procedures for detecting, diagnosing and treating TB patients, as amended from time to time, with prior consultation with the Bank.

(h) “Project Provinces” means, collectively, the Borrower’s: (i) Provinces of Fujian, Gansu, Guizhou, Hebei, Henan, Hubei, Hunan, Jiangxi, Jilin, Liaoning, Shaanxi, and Yunnan; (ii) Guangxi Zhuang Autonomous Region, Neimenggu Autonomous Region and Xinjiang Autonomous Region; and (iii) Chongqing Municipality, and any successor thereto; and “Project

Province” means any of the Project Provinces.

(i) “Relevant Six-Month Period” means the six-month period: (i) used to estimate the aggregate amount of the Loan to be disbursed on account of the Project (including deposit into and replenishments of the Special Account, direct payments on contracts and special commitments to be issued by the Bank) as such aggregate amount is to be determined by the Borrower and the Bank pursuant to Section 2.01(b) and/or 2.01(g) of the Tripartite Arrangement, and (ii) for which the amount of money to be deposited by DFID is notified pursuant to Section 2.01(c) and/or 2.01(h) of the Tripartite Arrangement.

(j) “Respective Part of the Project” means, in respect of each Project Province, the TB Program to be carried out within its respective territorial jurisdiction and which TB Program has been approved by the Bank to be eligible for financing out of the proceeds of the Loan.

(k) “Special Account” means the account referred to in Section 2.02(b) of this Agreement; “Second Generation Special Accounts” and “SGSAs” means the sixteen (16) accounts referred to in Section 2.02(c) of this Agreement; and “Second Generation Special Account” and “SGSA” mean any of the accounts referred to in Section 2.02(c).

(l) “Subsequent DFID Deposit” means the amount of any of the deposits of DFID Grant proceeds determined in accordance with Section 2.01(h) of the Tripartite Arrangement and to be deposited into TF Number TF050196 pursuant to Section 2.01 (d) of the Tripartite Arrangement.

(m) “Subsequent Projected Disbursement” means the amount of any of the projected disbursements determined in accordance with Section 2.01(g) of the Tripartite Arrangement.

(n) “TB” means tuberculosis, an infectious disease caused by the airborne bacterium.

(o) “TB Program” means a program to be carried out under Parts B and C of the Project, which satisfies the requirements set forth or referred to in paragraph 8 of Schedule 5 to this Agreement and which is to be carried out by a Project Province utilizing the proceeds of its Allocated Amount; and “TB Programs” means, collectively, all such programs.

(p) “TF Number TF050196” means Trust Fund Number TF050196, which trust fund is established and maintained by the Bank pursuant to the terms and conditions of the Tripartite Arrangement.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set

forth or referred to in this Agreement, an amount equal to one hundred four million Dollars (\$104,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower shall, for purposes of withdrawing the proceeds of the Loan allocated to Categories (1), (2)(a), (2)(c), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank and on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower may, for purposes of the Project, open and maintain in US Dollars sixteen (16) second generation special accounts, one for each of the Project Provinces, in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Notwithstanding the foregoing, the Borrower may open an SGSA for a Project Province only after the Bank has notified the Borrower and the Project Province for which the SGSA is being opened, of the Bank's receipt of evidence satisfactory to it that: (i) an Implementation Agreement has been entered into between the Borrower and said Project Province pursuant to paragraph 8(c) of Schedule 5 to this Agreement; and (ii) said Implementation Agreement has been duly authorized or ratified by the Borrower and said Project Province and is legally binding upon the Borrower and said Project Province in accordance with its terms. Deposits into, and payments out of, the SGSA shall be made in accordance with the provisions of Schedule 6 to this Agreement and additional procedures that shall have been approved by the Bank.

Section 2.03. The Closing Date shall be March 15, 2010, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall pay a front-end fee in an amount equal to one percent (1%) of the principal amount of the Loan set forth in Section 2.01 of this Agreement (the front-end fee).

(b) The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of six hundred sixty-five thousand six hundred Dollars (\$665,600) representing sixty-four percent (64%) of the front-end fee.

(c) (i) Subject to subparagraph (ii) of this paragraph, the Borrower agrees that the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the balance of the front-end fee, or a portion thereof, in an amount equal to one percent (1%) of the

undisbursed DFID Grant in the event that DFID, for any reason, shall have failed to deposit into TF Number TF050196, any portion of the proceeds of the DFID Grant in accordance with the provisions of the Tripartite Arrangement; or DFID shall have taken action to terminate the Tripartite Arrangement pursuant to Section 6.02 thereof. The said undisbursed balance of the DFID Grant shall be determined by the Bank at the time of DFID's said failure to deposit the proceeds of the DFID Grant, or at the time of DFID's said action to terminate the Tripartite Arrangement, as the case may be.

(ii) Subparagraph (i) of this paragraph shall not apply and the Bank shall not be entitled to withdraw from the Loan Account and pay to itself the balance of the front-end fee, or a portion thereof, if the Borrower establishes to the satisfaction of the Bank that: (A) adequate funds in an amount equal to the undisbursed balance of the DFID Grant are available to the Borrower from other sources on terms and conditions similar to those of the Tripartite Arrangement; or (B) adequate funds in an amount equal to the undisbursed balance of the DFID Grant are available to the Borrower from its own resources and are set aside under arrangements satisfactory to the Bank to make the prepayment arrangements on terms and conditions similar to those set forth in the Tripartite Arrangement; or (C) the Borrower shall cancel the undisbursed amount of the proceeds of the Loan at the time of the DFID's said failure to deposit the proceeds of the DFID Grant, or at the time of DFID's said action to terminate the Tripartite Arrangement, as the case may be.

Section 2.05. (a) Subject to paragraph (b) below, the Borrower shall pay to the Bank, a commitment charge on an amount equal to sixty-six million five hundred sixty thousand Dollars (\$66,560,000) less sixty-four percent (64%) of the Loan withdrawn from time to time, at a rate equal to: (i) eighty-five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to, but not including, the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

(b) If DFID, for any reason, fails to deposit into TF Number TF050196 (DFID's Non-deposit) any portion of the proceeds of the DFID Grant in accordance with the provisions of the Tripartite Arrangement and upon the expiration of fourteen (14) calendar days' notice given by the Bank to DFID and the Borrower of said failure, the Borrower shall pay on each payment date following said notice, said commitment charge calculated on the principal amount of the Loan not withdrawn from time to time after the date of DFID's Non-deposit.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be paid semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance

with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower and the Bank hereby agree that unless otherwise notified by the Borrower in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines

(d) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end: (i) shall carry out Part A of the Project through MOH; and (ii) shall cause the Project Provinces to carry out Parts B and C of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, social, and technical practices and sound environmental and health standards and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out, or cause the Project Provinces to carry out, the actions specified in the Implementation Program set forth

in Schedule 5 to this Agreement in order to ensure proper implementation of the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure continued achievement of the Project objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section (including those for the Special Account and the SGSAs) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account



were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

- (a) Any Project Province shall have failed to perform any of its obligations under the Implementation Agreement to which it is a party.
- (b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Project Province will be able to perform its obligations under the Implementation Agreement to which it is a party.
- (c)
  - (i) Subject to subparagraph (ii) of this paragraph, DFID shall have failed to deposit into TF Number TF050196, any portion of the proceeds of the DFID Grant in accordance with the provisions of the Tripartite Arrangement; DFID shall have failed to perform any of its other obligations under the Tripartite Arrangement; or DFID shall have taken action to terminate the Tripartite Arrangement pursuant to Section 6.02 thereof.
  - (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for prepayment of the Loan in an amount equal to the undisbursed balance of the DFID Grant are available to the Borrower from other sources on

terms and conditions similar to those of the Tripartite Arrangement. The said undisbursed balance shall be determined at the time of DFID's said failure to deposit proceeds of the DFID Grant; at the time of DFID's said failure to perform its obligations; or at the time of DFID's said action to terminate the Tripartite Arrangement, as the case may be.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, any event specified in Section 5.01(a) of this Agreement shall occur and shall continue to occur for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) Implementation Agreements, satisfactory to the Bank, shall have been executed between the Borrower and at least eight (8) Project Provinces.

(b) The Tripartite Arrangement, satisfactory to the Bank, has been executed by DFID and the Borrower.

(c) DFID has deposited into TF Number TF050196 an amount equal to the First DFID Deposit.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Implementation Agreement with each of the Project Provinces referred to in Section 6.01(a) of this Agreement has been duly authorized or ratified by the Borrower and said Project Province, and is legally binding upon the Borrower and said Project Province in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Sanlihe, Beijing 100820  
People's Republic of China

Facsimile:

68551125

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People's Republic of China as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Rui Yuehua

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Works	2,497,000	80%
(2) Goods:		100% of foreign expenditures and 100% of local expenditures (ex-factory cost), and 75% of local expenditures for other items procured locally
(a) Drugs	12,600,000	
(b) Goods under Direct Payment Contract	1,000,000	
(c) Others (excluding supplies under Program Support)	38,169,000	
(3) Consultants' services for:		
(a) operational studies	4,079,000	90%
(b) others	2,488,000	100%
(4) Training:	9,727,000	
(a) International		100%
(b) Domestic		60%
(5) Program Support	23,901,000	60%
(6) Fee	1,040,000	Amount due under Section 2.04 of this Agreement

(7) Unallocated	8,499,000	
TOTAL	<u>104,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be “foreign expenditures”;

(b) the term “local expenditures” means any expenditures that are not foreign expenditures;

(c) the term “Program Support” means the reasonable cost of the Project Provinces incurred by personnel at all administrative levels (excluding staff salaries) in carrying out surveillance and monitoring of Project activities, including cost of logistical support, information collection and reporting, workshops (excluding training materials), non-medical supplies and materials, transportation and accommodations;

(d) “Direct Payment Contract” means the contract for the purchase of vehicles estimated to cost \$1,000,000 equivalent; and

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$10,000,000, may be made in respect of Categories (1), (2)(a), 2(c), (3), (4) and (5) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after September 1, 2001, provided that said withdrawals are made through the Special Account in accordance with the provisions of Schedule 6 to this Agreement; and

(b) payments made for expenditures under Category 2(b) set forth in the table in paragraph 1 of this Schedule unless: (i) said expenditures have been included in the First Projected Disbursement or the Subsequent Projected Disbursement for the Relevant Six-Month Period, as the case may be; and (ii) the amount of monies in TF Number TF050196 is not less than the amount of the First DFID Deposit or the Subsequent DFID Deposit for the Relevant Six-month Period, as the case may be.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures:

- (a) for works under contracts costing less than \$300,000 equivalent each;
- (b) for goods under contracts costing less than \$300,000 equivalent each;
- (c) for consultants' services under contracts awarded to consulting firms and costing less than \$100,000 equivalent each;
- (d) for consultants' services under contracts awarded to individual consultants and costing less than \$50,000 equivalent each; and
- (e) for training and Program Support, regardless of the cost thereof;

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in reducing tuberculosis morbidity and mortality, especially among the poor, on an effective and sustainable basis.

The Project consists of the following parts, subject to such modification thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

#### Part A: Strengthening National TB Control Policies and Activities

##### 1. Institutional Development

Strengthening institutional capacity at the central government level to provide overall direction, coordination, management and oversight for the implementation of the Project and TB control activities on a nationwide basis.

##### 2. Policy and Program Development

Development of a national TB control program and associated policies, including: (a) designing detailed implementation plans and national education programs; and (b) carrying out pilot operational research and social assessment activities.

##### 3. Coordination and Management

Strengthening capacity at the central government level for the coordination and management of TB control activities being carried out under the Project at the provincial level, including development of data-based TB control program management methods and efficient and effective systems for the procurement and distribution of quality drugs and equipment.

#### Part B: Improving Access to and Quality of TB Control Services

1. Program Management

Development and carrying out of programs designed to strengthen capacity, at the provincial, prefecture, city and county levels, to manage TB control programs, including the following: (a) programs for the use of data-based TB control management methods; and (b) programs for improved management and usage of drugs and equipment.

2. Service Delivery

Development and carrying out of programs designed to improve the delivery of TB services, including the following: (a) programs for improved case detection of TB; and (b) programs for improving the TB cure rate (including the provision of incentives to health workers for the reporting of TB cases and management of TB patients).

3. Patient-focused Innovations

Development and carrying out of programs designed to address the needs of patients in specific populations, including the following: (a) programs for conducting social assessment of local populations and for operational research activities; (b) programs for the development and implementation of action plans for provision of TB information, education and communications; (c) programs for the development and implementation of TB diagnosis and treatments among ethnic minorities, floating populations and populations located in areas that are not easily accessible; (d) pilot programs for the prevention and treatment of HIV-associated TB; and (e) pilot programs for free treatment of smear-negative TB patients.

Part C: Strengthening Provincial Level Institutions and Financing to Deliver TB Control Programs

1. Institutional Strengthening

Developing and carrying out programs designed to strengthen the institutional capacity of the Project Provinces, at the provincial, prefecture, city and county level, to implement Parts B and C. 2 of the Project.

2. Expanded Financing for Sustainable TB Control

Developing and carrying out programs designed to increase financing of TB control activities at the provincial level, including provision of special assistance to poorer provincial areas, and to sustain financing for TB activities on a long-term basis, including provision of free TB diagnosis and treatment.

\* \* \*

The Project is expected to be completed by December 31, 2008.

**SCHEDULE 3**

## Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn two months prior to the first Principal Payment Date (the current billing system pursuant to Section 3(a) of this Schedule), the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding two months prior to the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies. The principal amount of the Loan withdrawn and outstanding two months prior to the first Principal Payment Date shall be the aggregate amount of the Loan withdrawn from the Loan Account up to July 15, 2010, minus the aggregate amounts prepaid by the Borrower up to July 15, 2010, in accordance with Section 2.02 of the Tripartite Arrangement.

<u>Installment Share Payment Date</u>	<u>(Expressed as a %)</u>
On each 15 September and 15 March Beginning 15 September 2010 through 15 September 2021	4.17%
On 15 March 2022	4.09%

2. If the proceeds of the Loan shall not have been fully withdrawn two months prior to the first Principal Payment Date, the total principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn two months prior to the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) To the extent that any proceeds of the Loan shall have been withdrawn in the six-month period commencing on the date falling two (2) months prior to the first Principal Payment Date and ending on the date falling four (4) months after the first Principal Payment Date or in any subsequent six-month period (in each case commencing on a date falling two (2) months prior to any Principal Payment Date and ending on a date falling four (4) months after such Principal Payment Date), the Borrower shall repay the Net Repayment Amount (as the term is defined below) in respect of such six (6) month period, if any, on each Principal Payment Date after the period for which such Net Repayment Amount has been determined by the Bank by multiplying the relevant Net Repayment Amount by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be



the sum of all remaining Original Installment Shares for Principal Payment Dates falling after the period for which such Net Repayment Amount is determined. The repayment amounts so calculated to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies. For purposes of this paragraph the term "Net Repayment Amount" means the aggregate of all withdrawals from the Loan Account made in any six-month period consisting of the two months immediately prior to and the four months immediately following any Principal Payment Date minus the amount prepaid by the Borrower in accordance with Section 2.02 of the Tripartite Arrangement during the same six-month period.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## **SCHEDULE 4**

### **Procurement**

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Administrative Region of the Borrower and works carried out by contractors from either of said regions).

(b) Prequalification

Bidders for goods shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

(a) Goods, other than drugs, estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$8,300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The procedures to be followed for National Competitive Bidding under Part C.1 of this Section shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No. 21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the

## Guidelines:

- (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country and such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.
- (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.
- (iii) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or the Project Province, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (iv) The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (v) All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vi) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or the Project Province, as the case may be.
- (vii) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (A) to be substantially responsive to the bidding documents and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

## 2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$2,770,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

## 3. Procurement of Small Works

Works, including repairs of existing buildings and installation of x-ray protection barriers, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,730,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

#### Part D: Review by the Bank of Procurement Decisions

##### 1. Procurement Planning

Prior to the issuance of any invitation to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

##### 2. Prior Review

(a) Subject to the provisions of paragraph (b) of this Part D.2, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to the following contracts:

- (i) all contracts for goods and works to be procured in accordance with the provisions of Part B.1 of this Section I; and
- (ii) the first two contracts for goods to be procured by each Project Province in accordance with the provisions of Part C.1 of this Section.

(b) With respect to the first two contracts for works to be procured by each Project Province in accordance with the provisions of Part C.3 (procurement of small works) of this Section I, the following procedures shall apply:

- (i) prior to the selection of any contractor, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

##### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Quality-based Selection

Services under the Project, estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

#### 2. Least-cost Selection

Services for specialized technical tasks under the Project estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 3. Selection Based on Consultants' Qualifications

Services for specialized technical tasks under the Project estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines and estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

#### 5. Single Source Selection

Services for TB drug resistance surveillance consultants under Part A of the Project, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

**SCHEDULE 5**

**Implementation Program**

Project Management and Implementation at the Central Level

1. With respect to Part A.1 of the Project, the Borrower shall maintain throughout the period of implementation of the Project, with composition, terms of reference, staffing and other resources acceptable to the Bank:

(a) The National TB Control Program Coordination Committee established on September 19, 2001, chaired by the Vice-Minister of MOH, to be responsible for provision of overall direction, coordination and oversight under the Project and for the overall coordination of TB control activities on a nationwide basis.

(b) The National TB Prevention and Control Center established on January 23,

2002, within the Center for Disease Control, an institute under MOH, to be responsible for provision of technical guidance for the carrying out of the Borrower's national tuberculosis control program, including the activities under the Project.

(c) The TB Control Program Office established in August 2001, within MOH and currently under the supervision of the National TB Prevention and Control Center, to carry out the daily planning, implementation and technical coordination of the national tuberculosis control program, including the carrying out of the activities under the Project.

2. By June 30, 2002, the Borrower shall have in place at the National TB Prevention and Control Center referred to in paragraph 1(b) of this Schedule, a full-time social scientist to be responsible for carrying out social development activities under the Project, including overseeing the implementation of social assessments and information, education and communication programs.

3. With respect to Part A.2 of the Project, the Borrower shall by December 31, 2002, furnish to the Bank for review a plan for the control of TB on a nationwide basis taking into account the Bank's comments thereon and thereafter begin implementation of said plan by December 31, 2002.

4. With respect to Part C.2 of the Project, the Borrower shall:

(a) summarize, under terms of reference satisfactory to the Bank, and furnish to the Bank for review no later than June 30, 2003, the proposed plans, which are to be prepared by each Project Province in accordance with the provisions of paragraph 10(a) of the Annex to this Schedule 5, for improving sustainability (during and after implementation of the Project) of TB control within the respective Project Province's territory; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plans by December 31, 2003, and thereafter, ensure that said plans are implemented by the Project Provinces, taking into account the Bank's comments thereon.

5. The Borrower shall:

(a) summarize, under terms of reference satisfactory to the Bank, and furnish to the Bank for approval not later than October 31 in each year, commencing on October 31, 2002: (i) the proposed annual plan for the carrying out of Part A of the Project; and (ii) the proposed annual plans prepared by each Project Province in accordance with the provisions of paragraph 10(b) of the Annex to this Schedule 5 for the carrying out of their Respective Part of the Project; and

(b) thereafter, the Borrower shall: (i) implement the annual plan for the carrying out of Part A of the Project, as shall have been approved by the Bank; and (ii) promptly inform each Project Province of such annual plan as shall have been approved by the Bank in respect of said Project Province's Respective Part of the Project and ensure that said approved annual plan is implemented.

6. The Borrower shall furnish the following programs to the Bank, prepared under terms of reference satisfactory to the Bank, and by December 31, 2002, begin implementation of said

programs, taking into account the Bank's comments thereon:

(a) a pilot research program to determine the benefits of providing free treatment for all smear positive and all smear negative TB patients; by June 30, 2004 furnish to the Bank a time-bound action plan and, thereafter, implement said action plan, taking into account the Bank's comments thereon.

(b) a research program on modalities for the prevention and treatment of HIV-associated TB; by June 30, 2004 furnish to the Bank a time-bound action plan, and thereafter, implement said action plan, taking into account the Bank's comments thereon.

7. The Borrower shall carry out the following under terms of reference satisfactory to the Bank:

(a) by December 31, 2005, carry out at least one assessment of the level of TB drug resistance in at least twelve Project Provinces and by December 31, 2007, for the remaining Project Provinces and promptly after completion, furnish the results of the assessment to the Bank; and

(b) by December 31, 2003, carry out in selected areas pilot studies on the use of fixed-dose combination TB drugs; by June 30, 2004, furnish to the Bank a time-bound action plan for widespread use of the fixed-dose combination TB drugs in the country; and thereafter, implement said action plan, taking into account the Bank's comments thereon.

#### Tuberculosis Programs

8. A program referred to in Parts B and C of the Project to be carried out by a Project Province shall qualify as a TB Program eligible for financing out of the proceeds of the Loan only if:

(a) The Project Province shall have demonstrated to the satisfaction of the Borrower, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Bank, that the following requirements have been met:

(i) the proposed program shall be economically and financially viable, and technically feasible, and shall have been designed in accordance with appropriate public health standards and practices;

(ii) the Project Province shall have the organization, management and resources required for the proper carrying out of the proposed program, and to this end, has established a provincial-level leading group and a project office, all in accordance with the provisions of paragraph 2 of Section II of the Annex to this Schedule; and

(iii) the Project Province shall have prepared a detailed time-bound action plan for the implementation of its proposed program.

(b) The Borrower shall have allocated an amount of the proceeds of the Loan to said



Project Province to enable it to carry out the approved TB program.

(c) The Borrower has entered into an Implementation Agreement with the Project Province to carry out its TB Program and to make available to the Project Province, the latter's respective Allocated Amount: (a) on the principal terms set forth in Section I of the Annex to this Schedule; and (b) on conditions acceptable to the Bank and as set forth in an Implementation Agreement, which shall be entered into between the Borrower and said Project Province in accordance with the provisions set forth in Section II of said Annex.

#### Implementation Agreement

9. The Borrower shall: (a) cause each Project Province to perform, in accordance with the provisions of the Implementation Agreement to which said Project Province is a party, all of the obligations of said Project Province therein set forth; (b) take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Project Province to perform such obligations; and (c) not take or permit to be taken any action which would prevent or interfere with such performance.

10. The Borrower shall: (a) exercise its rights under each Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (b) except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any Implementation Agreement or any provision thereof.

#### Monitoring and Reporting

11. The Borrower shall :

(a) maintain policies and procedures: (i) adequate to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Part A of the Project and the achievement of the objectives thereof; and (ii) shall ensure that each Project Province shall maintain policies and procedures, adequate to enable each of them to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Parts B and C of the Project and the achievement of the objectives thereof;

(b) prepare, and ensure that each Project Province prepares, under terms of reference satisfactory to the Bank, and furnish to the Bank, the following reports:

- (i) semi-annual reports, not later than March 31 and September 30 in each calendar year: (A) integrating the results of the monitoring and evaluation activities, performed pursuant to paragraph 11(a) of this Schedule 5, on the progress achieved in the carrying out of Part A of the Project by the Borrower and Parts B and C of the Project by each Project Province during the six-month period preceding the date of said reports and ending on December 31 and June 30 respectively; and (B) setting out the measures recommended to ensure the efficient carrying out of the respective parts of Project and the achievement of the objectives thereof during the period following such date; and
- (ii) a mid-term report, not later than May 31, 2005, integrating the results of the monitoring and evaluation activities performed pursuant to

paragraphs 11(a) and 11(b)(i) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

- (c) after furnishing:
  - (i) each report referred to in paragraph 11(b)(i) of this Schedule 5, review said report with the Bank, and promptly take all measures required to ensure the efficient completion of the respective parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter; and
  - (ii) the report referred to in paragraph 11(b)(ii) of this Schedule 5, review said report with the Bank, by June 30, 2005, or such later date as the Bank shall request, and, thereafter, take all measures required to ensure the efficient completion of the respective parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

**Annex**  
**To**  
**Schedule 5**

For purposes of paragraph 8(c) of Schedule 5 to this Agreement, the terms of availability of each Allocated Amount shall be those set forth in Section I of this Annex, and the Implementation Agreements shall be entered into on the conditions set forth in Section II of this Annex.

**Section I. Terms of Availability of the Respective Allocated Amount**

1. The Borrower shall make part of the proceeds of the Loan available to each Project Province for the carrying out its Respective Part of the Project, under arrangements satisfactory to the Bank, which shall include the following:

- (a) The Borrower shall make the principal amount of the Allocated Amount available to each Project Province in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
- (b) The Borrower shall recover the principal amount in Dollars so made available, from each Project Province in equal semi-annual installments, over a period of twenty (20) years, inclusive of a grace period of eight (8) years.
- (c) The Borrower shall charge interest on such principal amount withdrawn and outstanding from time to time at a rate of two percent (2%) per annum.
- (d) Except as provided in subparagraphs (a) through (c) above, the Borrower shall

not charge any other fees whatsoever in connection with making the proceeds of the Loan available to a Project Province; provided, however, that if the Bank shall charge the Borrower a commitment charge of more than 25 basis points or a premium on the prepayment of the principal amount of the Loan, the Borrower may charge such additional costs to the Project Provinces.

## Section II. Implementation Agreements with Project Provinces

1. Each Implementation Agreement with a Project Province shall contain provisions pursuant to which the Project Province shall be obligated to carry out the actions applicable to it and set forth below.

### Management of Each Project Province's Respective Part of the Project

2. In order to facilitate the implementation of Parts B and C of the Project, each Project Province shall establish and, thereafter, maintain throughout the period of Project implementation, with composition, terms of reference, staffing and other resources acceptable to the Bank:

(a) a leading group, chaired by the Vice Governor of the Project Province, to be responsible for provision of overall policy direction and coordination under Parts B and C of the Project; and

(b) a project office, to be responsible for oversight of and implementation and monitoring of Parts B and C of the Project.

### General Implementation of each Project Province's Respective Part of the Project

3. Each Project Province shall carry out its Respective Part of the Project with due diligence and efficiency, and in conformity with appropriate administrative, economic, financial, social, and technical practices and sound environmental and health standards and provide, or cause to be provided, promptly as needed the funds, facilities, services and other resources required therefor.

4. Without limitation upon the foregoing, each Project Province shall carry out its Respective Part of the Project in accordance with the Program Management and Technical Guidelines in a manner and substance satisfactory to the Bank.

5. Each Project Province shall ensure that: (a) the goods, works and services required for its Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; (b) said goods shall be insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the purchaser thereof to replace or repair such goods; and (c) said goods, works and services shall be utilized exclusively for the purpose of carrying out its Respective Part of the Project.

6. Each Project Province shall enable the Borrower and the Bank to examine all goods, facilities, sites and works included in its Respective Part of the Project, the operation thereof, and

any relevant records and documents.

7. Each Project Province shall ensure that any facilities, equipment and other property relevant to its Respective Part of the Project shall at all times be operated and maintained, and that all necessary repairs and renewals thereof shall be promptly made, as needed, all in accordance with sound engineering, financial, administrative and public health practices.

#### Financial Reporting

8. In carrying out its Respective Part of the Project, each Project Province shall maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures of said Project Province's departments or agencies that are responsible for carrying out said part of the Project or any part thereof.

9. Each Project Province shall:

(a) have the records and accounts referred to in paragraph 8 of this Section II, (including those for the relevant SGSA) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning said records and accounts and the audit thereof, as the Bank may, from time to time reasonably request.

#### Programs under Parts B and C of the Project

10. In implementing a TB Program, each Project Province shall carry out the following:

(a) Prepare by May 31, 2003, a proposed plan for improving sustainability (during and after implementation of the Project) of TB control within the respective Project Province's territorial jurisdiction, under terms of reference satisfactory to the Bank, furnish said plan to the Borrower for it to review, summarize and furnish to the Bank in accordance with the provisions of paragraph 4 of Schedule 5 to this Agreement and thereafter, promptly implement such plan, taking into account the Bank's comments thereon.

(b) Prepare by September 30 in each year, commencing on September 30, 2002, a detailed annual plan for the implementation of their Respective Part of the Project, under terms of reference satisfactory to the Bank, furnish said plan to the Borrower for it to review, summarize and furnish to the Bank in accordance with the provisions of paragraph 5 of Schedule 5 to this Agreement and thereafter, promptly implement such annual plan as shall have been approved by the Bank.

(c) Carry out:

(i) by December 31, 2002, a comprehensive baseline social assessment in

the respective Project Province's territorial jurisdiction, under terms of reference satisfactory to the Bank, and furnish the results of said assessment to the Bank; and

- (ii) two additional social assessments by September 30, 2004, and December 31, 2008, both under terms of reference satisfactory to the Bank, and include the results of the first assessment in the report to be furnished to the Bank pursuant to paragraph 11(b)(ii) of Schedule 5 to this Agreement and the results of the second assessment in the report to be furnished to the Bank pursuant to Section 3.03(a) of this Agreement.

(d) Ensure that diagnosis and treatment shall be provided free of charge to the following patients:

- (i) diagnosis for all persons suspected of having TB ;
- (ii) treatment in its entirety for all newly-diagnosed smear positive TB patients. Said patients shall not be required to pay any out of pocket expenses or to pay or reimburse any monies whatsoever related to said treatment;
- (iii) first retreatment for smear positive retreatment TB patients; and
- (iv) treatment for newly-diagnosed smear negative TB patients with miliary or cavitary indicated on their chest X-ray.

(e) Prepare, in accordance with terms of reference satisfactory to the Bank, and furnish to the Bank by December 31, 2003, a time-bound action plan for limiting sale of over-the-counter TB drugs in their respective territorial jurisdiction and, thereafter implement their respective plan, taking into account the Bank's comments thereon.

(f) Furnish to the Bank a time-bound action plan, prepared in accordance with terms of reference satisfactory to the Bank, for the establishment and provision of above-county level counterpart funding for nationally- and provincially-designated poverty counties and begin implementation of said plan by January 1, 2004, taking into account the Bank's comments on said plan.

(g) Apply standards, satisfactory to the Bank, for administering safe injections, disposal of medical waste (including injection equipment), and handling of x-rays.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:

- (a) the term "eligible Categories" means Categories (1), (2)(a), 2(c), (3), (4) and (5)

set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.

2. Payments out of the Special Account shall be made: (a) for eligible expenditures; or (b) into an SGSA for payments of eligible expenditures, all in accordance with the provisions of this Schedule. Notwithstanding the foregoing, if an eligible expenditure was incurred by a Project Province, payment out of the Special Account for such eligible expenditure may be made only after the Bank has notified the Borrower and said Project Province, of the Bank’s receipt of evidence satisfactory to it that: (i) an Implementation Agreement has been entered into between the Borrower and said Project Province pursuant to paragraph 8(c) of Schedule 5 to this Agreement; and (ii) said Implementation Agreement has been duly authorized or ratified by the Borrower and said Project Province and is legally binding upon the Borrower and said Project Province in accordance with its terms.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested provided that:

(i) the amount or total of the amounts so requested has been included in the First Projected Disbursement; and

(ii) the amount of monies in TF Number TF050196, is not less than the amount of the First DFID Deposit.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to

paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request and subject to the provisions in subparagraph (b)(iii) below, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account and/or the SGSAs for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

- (iii) The Bank will deposit into the Special Account the amount requested under subparagraph (b)(ii) above provided that: (A) the amount so requested has been included in the First Projected Disbursement or Subsequent Projected Disbursement for the Relevant Six-month Period, plus additional deposits made by DFID into TF Number TF050196, as the case may be; and (B) the amount of monies in TF Number TF050196, is not less than amount of the First DFID Deposit or Subsequent DFID Deposit for the Relevant Six-month Period, plus additional deposits made by DFID into TF Number TF050196.

4. For each payment made by the Borrower out of the Special Account and/or the SGSAs, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account and the SGSAs;

- (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions;

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the

Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation; or

- (e) if, at any time, the Bank determines that:
  - (i) the amount or total of the amounts so requested has not been included in the Subsequent Projected Disbursement for the Relevant Six-month Period; or
  - (ii) the amount of monies in TF Number TF050196 is less than the amount of the Subsequent DFID Deposit for the Relevant Six-Month Period.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit into the Special Account and/or the SGSAs as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account or the SGSAs: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account or an SGSA will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit into the Special Account or an SGSA.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.





