

CONFORMED COPY

CREDIT NUMBER 2317 CHA

(Infectious and Endemic Disease Control Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 23, 1991

CREDIT NUMBER 2317 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 23, 1991, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the World Health Organization (WHO) and the Association have participated together in the appraisal of the Project and have agreed that WHO will continue to provide, at the invitation of the Association, technical review of implementation of Part A of the Project which adopts the WHO global approach to tuberculosis control;

(C) the Borrower intends to make arrangements with Special Programme for Research and Training in Tropical Diseases (TDR) for assistance (the TDR Assistance) in carrying out research under Part B.2 (d) (ii) of the Project on the terms and conditions set forth in an agreement (the TDR Assistance Arrangements) to be entered

into between the Borrower and TDR; and

(D) the Project, other than the National Component (hereinafter defined) will be carried out by the Provinces of Anhui, Guangdong, Gansu, Hainan, Hebei, Heilongjiang, Hubei, Hunan, Jiangxi, Jiangsu, Liaoning, Ningxia, Shandong, Sichuan, Xinjiang, Yunnan and Zhejiang with the Borrower's assistance and, as part of such assistance, the Borrower will make available a portion of the proceeds of the Credit to each such Province as provided in this Agreement;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "Bank" means the International Bank for Reconstruction and Development;
- (b) "DEDC" means the Department of Endemic Disease Control of MOPH;
- (c) "FLO" means the Foreign Loan Office of MOPH;
- (d) "MOPH" means the Borrower's Ministry of Public Health;
- (e) "National Component" means Parts A.2 (a), A.2 (d)(i), B.2 (a)(i), B.2 (c)(i), B.2 (d)(ii), and C of the Project set forth in Schedule 2 to this Agreement;
- (f) "PIAs" means the project implementation agreements referred to in Section 3.01 (b) of this Agreement; "PIA" means any one of such project implementation agreements;
- (g) "Project Provinces" means Schistosomiasis Control Provinces and TB Control Provinces, as both terms are further defined below; "Project Province" means any one of such Project Provinces;
- (h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (i) "Schistosomiasis Control Provinces" means the Provinces of Anhui, Hubei, Hunan, Jiangxi, Jiangsu, Sichuan, Yunnan and Zhejiang;
- (j) "Schistosomiasis Policy Statement" means the statement of policies and procedures for carrying out Part B, other than the National Component of the Project, provided by the Borrower to the Association;
- (k) "TB" means bacillary pulmonary tuberculosis caused by mycobacterium tuberculosis;
- (l) "TB Control Provinces" means the Provinces of Guangdong, Gansu, Hainan, Hebei, Heilongjiang, Hubei, Hunan, Liaoning, Ningxia, Shandong, Sichuan and Xinjiang;
- (m) "TB Policy Package" means the statement setting forth a package of policies, procedures for implementation of such policies, and reporting requirements

and formats for purposes of carrying out Part A, other than the National Component, of the Project, provided by the Borrower to the Association;

(n) "TCC" means the Tuberculosis Control Center of MOPH; and

(o) "TPO" means the Tuberculosis Project Office established under the Division of Chronic Infectious Diseases of the Department of Epidemic Diseases Prevention of MOPH.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ninety-five million nine hundred thousand Special Drawing Rights (SDR 95,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made or, if the Association shall so agree, to be made, in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall

repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing May 1, 2002 and ending November 1, 2026. Each installment to and including the installment payable on November 1, 2011 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(i) shall carry out, and cause to be carried out, the National Component of the Project through MOPH with due diligence and efficiency and in conformity with appropriate public health and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such National Component of the Project; and

(ii) shall cause the TB Control Provinces to carry out Part A of the Project and shall cause the Schistosomiasis Control Provinces to carry out Part B of the Project, other than the National Component, all with due diligence and efficiency and in conformity with appropriate public health and environmental practices, shall take facilities, or cause to be taken all action, including the provision of funds, appropriate to enable Project Provinces services and other resources, necessary or to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by Project Provinces.

(b) The Borrower shall cause the Project to be carried out in each Project Province pursuant to a project implementation agreement, acceptable to the Association, to be entered into between the Borrower and each Project Province, including the terms and conditions set forth in Schedule 4, Part B to this Agreement. Except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate, fail to enforce, or waive any PIA or any provision thereof;

(c) The Borrower shall make the portion of the proceeds of the Credit

required to carry out the Project (other than the National Component) in each Project Province available to such Project Province on terms and conditions satisfactory to the Association, including those terms and conditions set forth in Schedule 6 to this Agreement;

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out and cause to be carried out the National Component of the Project, and shall cause the Project Provinces to carry out the Project (other than the National Component), all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Association and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the National Component of the Project shall be carried out by the Borrower and the Project Provinces through PIAs in respect of the remaining Parts of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, and cause the Project Provinces to maintain, 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 and Project Provinces 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 for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

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

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

(c) For all expenditures with respect to which withdrawals from the Credit 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 accounts reflecting such expenditures;

(ii) retain, or cause to be retained, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association'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 Association

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

(i) that a party to a PIA shall have failed to perform its obligations under such PIA, including without limitation: (A) failure by a TB Control Province to carry out any portion of the TB Policy Package; and (B) failure by a Schistosomiasis Control Province to carry out any portion of the Schistosomiasis Policy Statement; and

(ii) that the TDR Assistance Arrangements shall not have been made by June 30, 1992 or such later date as the Association may agree.

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

ARTICLE VI

Effective Date; Termination

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

(a) the Project Implementation Agreement for each Project Province shall have been executed on behalf of the Parties thereto;
and

(b) the Borrower's State Council shall have approved this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Implementation Agreements provided to the Association pursuant to Section 6.01 (a) of this Agreement have been duly authorized or ratified by and executed and delivered on behalf of all parties thereto and are legally binding upon the parties in accordance with their 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

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Qizhen

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kaji

Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) TB Control under Part A of the		

Project carried
out by Project
Provinces:

(a) Goods	41,420,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) Consultants' services and overseas training	520,000	100%
(c) Studies	150,000	65%
(2) Schistosomiasis Control under Part B of the Project carried out by the Project Provinces:		
(a) Goods	50,110,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) Consultants' services and overseas training	520,000	100%
(c) Studies	1,700,000	65%
(3) National Component of the Project:		
(a) Goods	520,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) Consultants' services, studies and overseas training	960,000	100%
TOTAL	95,900,000	=====

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; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 3,700,000, may be made in respect of Categories 1 (a), 2 (a) and 3 (a) on account of payments made for expenditures before that date but after September 30, 1991.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to reduce the risk of tuberculosis infection by providing support to the Borrower's national tuberculosis control program in selected Provinces; (b) to reduce the prevalence and infection rates of schistosomiasis by providing support to the Borrower's national schistosomiasis control program in the eight remaining provinces where schistosomiasis is endemic; and (c) to strengthen institutional support for infectious and endemic disease programs at the provincial and national levels.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Tuberculosis Control

1. Providing support for the provincial tuberculosis programs in the TB Control Provinces in accordance with the TB Policy Package through:

(a) expansion, improvement and free provision of tuberculosis diagnostic services at all tuberculosis dispensaries and upgrading the quality of bacteriological services at provincial and prefecture levels;

(b) provision of free short-course chemotherapy and other treatment services in order to achieve high cure rates of: (i) smear positive pulmonary tuberculosis patients; and (ii) symptomatic, newly detected smear-negative patients with cavitory (cavity-like) or miliary (small, dispersed) lesions;

(c) improved case management by adoption and implementation of a revised standard tuberculosis registry, reporting forms and supervisory protocol.

2. Institutional strengthening in support of tuberculosis control through:

(a) establishing a national tuberculosis project office and a tuberculosis control center under the direction of the Department of Epidemic Disease Prevention in order to strengthen MOPH's infectious disease control capacity, and to formulate, supervise and control national tuberculosis control policies to be implemented by the TB Control Provinces;

(b) reorganizing and upgrading the provincial tuberculosis control programs by restructuring and strengthening provincial-level tuberculosis dispensaries and units under the Epidemic Prevention Division of the Public Health Bureau of each TB Control Province;

(c) implementing the TB Policy Package of administrative, technical and financial reforms to improve the financing and management systems of tuberculosis dispensaries and units in TB Control Provinces; and

(d) undertaking operational research (i) at the national level, and (ii) at the Provincial-level into managerial, economic, social and epidemiological factors to improve tuberculosis control and prepare further health programs.

Part B: Schistosomiasis Control and Prevention

1. Providing support for the national schistosomiasis control program in Schistosomiasis Control Provinces in accordance with the Schistosomiasis Control Policy Statement through:

(a) case identification and treatment of infected persons through provision of chemotherapy;

(b) case identification and treatment of infected animals; and

(c) snail control through application of molluscicides and environmental control.

2. Institutional strengthening to improve the efficiency and effectiveness of the national schistosomiasis control program through:

(a) strengthening of (i) the national division of schistosomiasis control within DEDC, and (ii) the provincial-level endemic disease control offices and schistosomiasis institutes, in order to manage the disease control program and to coordinate the design, testing, production and dissemination of health education and materials, and staff training programs and materials;

(b) improvement of the schistosomiasis disease surveillance system by Schistosomiasis Control Provinces in order to provide DEDC with reliable epidemiological data required to adjust and target schistosomiasis disease control activities;

(c) improvement of monitoring and evaluation systems for the schistosomiasis control program at the (i) national, and (ii) provincial levels;

(d) carrying out (i) through the provincial-level schistosomiasis control program offices and institutes, and (ii) under the direction of a national-level joint research management committee, a program of management, economic, social and epidemiological studies of schistosomiasis control in different locations in China, and the preparation of future disease control programs.

Part C: Research into Key Infectious Disease Prevention

Research into alternatives for controlling and improving disease surveillance of other key infectious diseases, including (i) sexually transmitted diseases and human immune deficiency virus surveillance; (ii) epidemiological studies of hepatitis and control of hepatitis B virus through immunization; and (iii) preparation of future disease control programs.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for similar goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in China may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods estimated to cost the equivalent of \$50,000 or more per contract but not to exceed the equivalent of \$200,000 per contract, up to an aggregate amount equivalent to \$5,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount equivalent to \$3,000,000, may be procured: (a) under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association; or (b) in the event of proprietary items and items required for standardization, under contracts awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

3. An initial drug and equipment purchase may be procured under contracts awarded before January 31, 1992, up to an aggregate amount equivalent to \$5,000,000, on the basis of a comparison of price quotations obtained from at least three suppliers eligible under the guidelines, in accordance with procedures acceptable to the Association. For purposes of this paragraph, the term "initial drug and equipment purchase" means anti-tuberculosis drugs for Part A of the Project, praziquantel for Part B of the Project and 120 microscopes for tuberculosis diagnosis which are essential and urgently needed during the start-up phase of Project implementation.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more and each contract procured under Part C.1 above, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. When payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. When payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower and Project Provinces in carrying out the

Project, the Borrower and Project Provinces shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Part A: Project Management

1. The Borrower shall maintain FLO within MOPH through completion of the Project with functions and staffing acceptable to the Association.
2. The Borrower shall maintain both the TPO and TCC through completion of the Project, each with budget, functions and staffing acceptable to the Association.
3. Without limitation to its other reporting requirements under this Agreement and the General Conditions, the Borrower shall provide to the Association on a quarterly basis, aggregated reports of: (i) the information provided to the Borrower by TB Control Provinces as part of the TB Policy Package reporting requirements; and (ii) the information provided to the Borrower by Schistosomiasis Control Provinces as part of the Schistosomiasis Policy Statement.

Part B: Terms and Conditions for Project Implementation Agreements

Each PIA shall contain the following general terms, the PIAs with TB Control Provinces shall include the specific terms set forth in paragraph 2 below and the PIAs with Schistosomiasis Control Provinces shall include the specific terms set forth in paragraph 3 below.

1. General Terms and Conditions for All PIAs.

The Borrower shall ensure that each Project Province carries out the Project in compliance with the procurement provisions (Schedule 3) and auditing requirements (Article IV) of this Agreement.

2. Specific provisions for TB Control Province PIAs.

(a) Each TB Control Province shall implement the TB Policy Package (which shall be attached as an Annex to each PIA), in all its terms and conditions and shall maintain its provisions in effect through completion of the Project.

(b) Each TB Control Province specifically understands that the effectiveness of its TB Control program will be compromised if the provisions of the TB Policy Package which require the provision of free diagnostic treatment and follow-up services are not followed, even in part. Therefore, each TB Control Province agrees that it shall take all measures, necessary or appropriate, to ensure compliance with such provisions at all subsidiary levels of government and at health institutions participating in carrying out the Project.

3. Specific provisions for Schistosomiasis Control Province PIAs.

(a) Each Schistosomiasis Control Province shall implement the Schistosomiasis Policy Statement (which shall be attached as an Annex to each PIA), in all its terms and conditions and shall maintain its provisions in effect through completion of the Project.

(b) Each Schistosomiasis Control Province shall use only niclosamide as an acceptable molluscicide in its schistosomiasis control program.

Part C: Implementation of National Component

1. In order to carry out the National Component, the Borrower shall make the proceeds of the Credit available to MOPH on the same terms and conditions as set forth

in Schedule 6, paragraph 1, to this Agreement.

2. (a) The Borrower shall establish by June 30, 1992, with functions and staffing acceptable to the Association, a joint research management committee (JRMC) which, with the assistance of TDR, shall review, approve, monitor and advise on the carrying out of research and the implementation of the findings of operational research proposed for schistosomiasis control.

(b) The Borrower shall maintain JRMC through completion of the Project with functions and staffing acceptable to the Association.

3. In carrying out research under Part C of the Project, the Borrower shall by October 31 of each year, provide to the Association for its review and comment, a detailed proposal of the research to be carried out under the Project during the next coming calendar year.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories 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 Credit 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 \$5,800,000 to be withdrawn from the Credit 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 exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association 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 Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

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

SCHEDULE 6

Onlending Arrangements

1. The Borrower shall make the proceeds of the Credit required to carry out the Project in each Project Province available to such Province on terms and conditions acceptable to the Association, including:

(a) repayment over a period of twenty years, including a ten year grace period, without interest, of amounts made available; and

(b) payment by the Project Province of: (i) a commitment charge on the proceeds of the Credit made available to the Project Province but not yet withdrawn at

the rate of one-half of one percent (1/2 of 1%) per annum; and (ii) a service charge at the rate of one percent (1%) per annum on amounts provided to the Project Province out of the proceeds of the Credit withdrawn and not yet repaid.

2. The Borrower shall ensure that each Project Province shall make the proceeds of the Credit available to subsidiary levels of government and health institutions participating in carrying out the Project on terms and conditions acceptable to the Association.

