

CONFORMED COPY

CREDIT NUMBER 2794 CHA

Development Credit Agreement

(Disease Prevention Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 1996

CREDIT NUMBER 2794 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated, March 19, 1996, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made:(a) on account of expenditures in the territories of

any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) "HIV" means human immunodeficiency virus.

(c) "Local Entities" means the following provinces, autonomous regions, directly-administered municipalities and cities of the Borrower, and "Local Entity" means any of the Local Entities:

(i) for the purposes of Part A of the Project, Gansu Province, Guangxi Zhuangzu Autonomous Region, Guizhou Province, Hebei Province, Henan Province, Hubei Province, Shaanxi Province, Shanxi Province, Xinjiang Uygur Autonomous Region and Yunnan Province; and

(ii) for the purposes of Part B of the Project, Beijing Municipality, Shanghai Municipality, Tianjin Municipality, Yunnan Province and the cities of Chengdu in Sichuan Province, Liuzhou in Guangxi Zhuangzu Autonomous Region, Luoyang in Henan Province and Weihai in Shandong Province.

(d) "MOH" means the Borrower's Ministry of Health, and any successor thereto.

(e) "NCD" means non-communicable diseases.

(f) "Project Implementation Arrangements" means in respect of each Local Entity, the arrangements to be made between the Borrower and said Local Entity in accordance with the provisions of Section 3.02 of this Agreement.

(g) "Respective Part of the Project" means in respect of a Local Entity, the activities to be carried out by said Local Entity under Part A and/or Part B of the Project.

(h) "Respective Proceeds" means, in respect of each Local Entity, an amount of the Credit to be made available by the Borrower to said Local Entity and to be utilized by said Local Entity for purposes of carrying out its Respective Part of the Project.

(i) "Special Account" means the account referred to in Section 2.02(b) of this Agreement.

(j) "STD" means sexually transmitted diseases.

## 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 sixty-seven million Special Drawing Rights (SDR 67,000,000).

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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in a financial institution acceptable to the Association, 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 December 31, 2001 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 the 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 June 1 and December 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 June 1 and December 1, commencing June 1, 2006 and ending December 1, 2030. Each installment to and including the installment payable on December 1, 2015 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, shall cause the Local Entities to carry out Parts A and B of the Project and shall carry out Part C of the Project through MOH, all with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, technical and public health practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) 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 Part C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Borrower shall make available to each Local Entity its Respective Proceeds, under arrangements to be made between the Borrower and said Local Entity, in accordance with the provisions set forth in Schedule 6 to this Agreement.

(b) The Borrower shall:

(i) cause each Local Entity to perform, in accordance with the provisions of the Project Implementation Arrangements to which it is a party, all of the obligations of said Local Entity therein set forth;

(ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Local Entity to perform such obligations;

(iii) not take or permit to be taken any action which would prevent or interfere with such performance; and

(iv) exercise its rights under each of the Project Implementation Arrangements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, not amend, abrogate or waive any of the Project Implementation Arrangements or any provision thereof.

Section 3.03. 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 3.04. For the purpose 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 Association, and furnish to the Association 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 Association, a plan (including the long-term strategies prepared by the Local Entities pursuant to Part F.2 of Schedule 6 to this Agreement) for the future operation of the Project; and

(b) afford the Association 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, 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 (6) 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, 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. Pursuant to Section 6.02(h) of the General Conditions, the following additional events are specified:

(a) Any party to any of the Project Implementation Arrangements shall have failed to carry out its obligations thereunder.

(b) As a result of events which have occurred after the date of the Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that any party to any of the Project Implementation Arrangements will be able to perform its obligations thereunder.

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 (60) 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, namely that Project Implementation Arrangements have been made between the Borrower and at least seven (7) Local Entities carrying out activities under Part A of the Project and between the Borrower and at least five (5) Local Entities carrying out activities under Part B thereof.

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 each of the Project Implementation Arrangements referred to in Section 6.01 of this Agreement have been duly authorized or ratified by the parties thereto and are legally binding upon said 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.

Section 6.04. The provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be earlier.

#### 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:

82987 (MCI) or  
64145 (MCI)

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/ Li Daoyu

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nicholas C. Hope

Acting 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) For Part A of the Project:		
(a) Equipment, materials, vehicles and vaccines	34,100,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 65% of local expenditures for other items procured locally
(b) Training:		
(i) In-country	5,000,000	50%
(ii) Abroad	600,000	100%
(c) Consultants' services	170,000	100%
(d) Program Support	15,800,000	55%
(2) For Part B of the Project:		
(a) Equipment, materials and vehicles	1,470,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 40% of

		local expenditures for other items procured locally
(b) Training:		
(i) In-country	440,000	50%
(ii) Abroad	900,000	100%
(c) Consultants' services	200,000	100%
(d) Program Support	4,000,000	40%
(3) For Part C of the Project:		
(a) Equipment, vehicles and materials	300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(b) Training:		
(i) In-country	50,000	90%
(ii) Abroad	300,000	100%
(c) Consultants' services	540,000	100%
(d) Program Support	300,000	80%
(4) Unallocated	2,830,000	
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TOTAL	67,000,000	
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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;

(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; and

(c) the term "Program Support" means expenditures incurred by Project offices at all levels in carrying out the Project, for surveillance and monitoring services, logistical support, medical and other supplies, transportation, accommodations, meals and allowances for staff.

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

(a) 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 4,700,000 may be made on account of payments made for expenditures before that date but after July 1, 1995;



(b) for expenditures under Category (2) until the Association shall have notified the Borrower of its acceptance of evidence that the Borrower has employed a consulting institution, with terms of reference, qualifications and experience satisfactory to the Association, to assist the Local Entities in the carrying out of Part B of the Project; or

(c) for expenditures for goods or services required for the Respective Part of the Project of a Local Entity (other than a Local Entity referred to in Section 6.01 of this Agreement) until the Association shall have notified the Borrower of its acceptance of evidence that Project Implementation Arrangements (i) have been made between the Borrower and said Local Entity and (ii) have been duly authorized or ratified by the parties thereto and are legally binding upon said parties in accordance with their terms.

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

(a) goods under contracts costing less than \$300,000 equivalent;

(b) services provided by consulting firms under contracts costing less than \$100,000 equivalent;

(c) services provided by individual consultants under contracts costing less than \$50,000 equivalent; and

(d) training and Program Support;

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

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in (1) preventing and controlling the incidence of vaccine-preventable diseases, by increasing effective vaccine coverage in the poorest provinces of the Borrower, and (2) improving the capacity of the institutions in the Borrower's health sector to design and implement suitable health promotion programs so as to prevent and control the incidence of NCD, STD, HIV and injury.

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: Immunization

(1) Carrying out by each Local Entity of a program to (a) ensure proper quality of vaccines during their storage and transportation, through the provision of new and replacement equipment, spare parts and maintenance services required therefor, and (b) develop a sustainable strategy for the regular replacement of equipment for storage and transportation of vaccines.

(2) Establishment and implementation by each Local Entity of a system of regular in-service training to improve the technical and managerial skills of immunization program staff at all levels of its epidemic prevention network, through the upgrading of training modules, development of training materials, provision of training equipment and carrying out of training.

(3) Carrying out by each Local Entity of programs to strengthen the management, delivery and surveillance of immunization services, including provision of vehicles, equipment and medical supplies required therefor, said programs to consist of (a) a program to increase and sustain immunization coverage through measures to improve access of the poorest families, as well as of unregistered and migrant populations, to immunization services, (b) a program to improve the quality of immunization services through application of safe practices regarding the sterilization and disposal of

syringes and needles, of standardized procedures for recording cold chain equipment inventories, and of improved procedures for monitoring temperatures of the cold chain system during transport and storage of vaccines, (c) a program to expand immunization services to include administration of tetanus toxoid and hepatitis-B vaccines, and (d) a program to strengthen supervisory functions at each administrative level, improve monitoring and reporting of vaccine coverage and surveillance of measles and neonatal tetanus.

(4) Development and implementation by each Local Entity of an information, education and communication program to promote knowledge and awareness of vaccine-preventable diseases and demand for immunization services, consisting of the:(a) research and survey of knowledge and attitudes to immunization; (b) design of a suitable communication strategy; (c) development of instructional materials; (d) provision of staff training; and (e) implementation of information and education programs in local communities.

Part B: Health Promotion

(1) Preparation and adoption by each Local Entity of a strategic plan for health promotion, establishment of appropriate institutional arrangements, including creation of inter-sectoral leading groups and city-level coordinating groups and strengthening of the functions of, and coordination among, existing health institutions, and development and implementation of policies designed to prevent and control the incidence of NCD, STD, HIV and injury.

(2) Development and implementation by each Local Entity of (a) training programs in health promotion and related topics so as to strengthen the skills of health workers, private practitioners and other personnel involved in the implementation of health promotion and related activities, and (b) programs to improve the capacity of institutions to provide training in health promotion.

(3) Development and introduction by each Local Entity of a sustainable system for the surveillance of behavioral and environmental risk factors related to NCD, STD, HIV and injury, and for the monitoring and analysis of health trends.

(4) Development and implementation by each Local Entity of community-based intervention programs aimed at reducing critical behavioral and environmental risk factors related to NCD, STD, HIV and injury.

(5) Provision of vehicles, equipment and materials required for Parts B(1), B(2), B(3) and B(4) of this Schedule.

Part C: National Level Program

(1) Implementation of institutional arrangements designed to ensure proper coordination and oversight of, and guidance in respect of, the implementation of Parts A and B of the Project, to facilitate inter-entity exchanges of information and experience gained under the Project, and to disseminate such information and experience throughout the Borrower's territory.

(2) Development and introduction of national policies and procedures relating to the scope and financing of immunization programs and of national strategies for the control of NCD, STD, HIV and injury.

(3) Development and introduction of the following nationwide surveillance systems: an immunization program management information system and a surveillance system for behavioral risk factors and environmental indicators related to NCD and STD.

(4) Provision of technical assistance, including the development and provision of training programs, to facilitate the implementation by the Local Entities of their Respective Parts of the Project.

(5) Provision of vehicles, equipment and materials required for Parts C(1), C(2), C(3) and C(4) of this Schedule.

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The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: General

Goods 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 (the Guidelines) and the following provisions of this Section, as applicable.

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$300,000 or more each.

###### (b) 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.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Goods estimated to cost less than \$300,000 equivalent and \$50,000 equivalent or more per contract, up to an aggregate amount not to exceed \$9,190,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$6,110,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

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

###### 1. Procurement Planning

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

Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. Project Implementation

1. The Borrower shall maintain, throughout the period of implementation of the Project, with membership, terms of reference, staffing and other resources acceptable to the Association:

(a) a Project leading group, to be responsible for overall coordination and oversight of Project implementation;

(b) a Project coordination group, to be responsible for the provision of guidance on general policy and technical issues that may arise in relation to the implementation of the Project;

(c) an immunization project office and a health promotion project office, both in MOH, to be responsible for the planning and provision of assistance in the carrying out of the Project; and

(d) a technical unit in the health promotion project office referred to in paragraph (c) above, to be responsible for the provision of technical guidance to the Local Entities in the planning and implementation of community-based interventions under the Project.

2. The Borrower shall, through MOH:

(a) summarize, under terms of reference satisfactory to the Association, and

furnish to the Association not later than November 30 in each fiscal year, the proposed annual plans prepared by each Local Entity in accordance with the provisions of Part C.2 of Schedule 6 to this Agreement, for the implementation of health promotion interventions under said Local Entity's Respective Part of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said annual plans, and thereafter, promptly inform each Local Entity of such annual plan as shall have been accepted by the Borrower and the Association in respect of said Local Entity's Respective Part of the Project.

3. The Borrower shall carry out training activities under Part C(4) of the Project in accordance with training programs acceptable to the Association.

#### B. Monitoring and Reporting

1. The Borrower shall maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, progress in the carrying out of the Project.

2. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association, the following reports:

(a) a semi-annual report, not later than April 15 and October 15 in each calendar year, summarizing the monitoring and evaluation activities carried out by the Borrower pursuant to Part B.1 above in respect of the preceding calendar semester, consolidating the reports furnished to it by each Local Entity pursuant to Part E.3 of Schedule 6 to this Agreement, and setting forth proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of the Project; and

(b) a mid-term report not later than December 31, 1998, summarizing such monitoring and evaluation activities carried out by the Borrower pursuant to Part B.1 above from the inception of the Project, consolidating the reports furnished to it by each Local Entity pursuant to Part E.3 of Schedule 6 to this Agreement, and setting forth proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of the Project.

3. The Borrower shall exchange views with the Association on each report furnished and measures proposed under Part B.2 above, and thereafter, take all such measures to further the objectives of the Project as shall have been agreed between the Borrower and the Association.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3);

(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 \$6,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$30,000,000.

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;

(b) if the Borrower shall have failed to furnish to the Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) 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

##### Project Implementation Arrangements

For the purposes of Section 3.02(a) of this Agreement, the Project Implementation Arrangements shall include the following provisions.

##### A. General

1. Each Local Entity shall undertake to carry out its Respective Part of the Project with due diligence and efficiency, and in conformity with appropriate economic, financial, administrative, technical and public health practices, and provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required therefor.

2. Each Local Entity shall undertake to:

(a) procure the goods and services required for its Respective Part of the Project and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 3 to this Agreement;

(b) insure said goods 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 Local Entity to replace or repair such goods; and

(c) utilize such goods and services exclusively for the purposes of carrying out its Respective Part of the Project.

3. Each Local Entity shall undertake to:

(a) furnish to the Borrower, promptly upon their preparation, for furnishing to the Association if so requested by the Association, the plans, specifications, reports, contract documents and procurement schedules for said Local Entity's Respective Part of the Project, and any material modifications thereof or additions thereto, in such detail as the Borrower or the Association (as the case may be) shall reasonably request;

(b) enable the Borrower and the Association to examine such goods and all facilities and sites included in said Local Entity's Respective Part of the Project, the operation thereof, and any relevant records and documents; and

(c) at all times operate and maintain any facilities relevant to said Local

Entity's Respective Part of the Project, and promptly as needed, make all necessary repairs and renewals thereof.

B. Terms

1. (a) The principal amount of a Local Entity's Respective Proceeds:

(i) shall be the equivalent in terms of SDR (determined on the date or respective dates of withdrawal from the Credit Account) of the value of the currency or currencies so withdrawn, on account of the cost of goods and services required for said Local Entity's Respective Part of the Project to be financed out of the proceeds of the Credit; and

(ii) shall be recovered by the Borrower in a currency selected by the Borrower in an amount equal to the equivalent (determined as of the date or respective dates of repayment) of the amount referred to in subparagraph (i) of this paragraph.

(b) The principal amount of a Local Entity's Respective Proceeds shall be recovered by the Borrower over a period of twenty (20) years, inclusive of a grace period of five (5) years.

(c) Interest shall be charged on the principal amount of each Local Entity's Respective Proceeds so made available and withdrawn and remaining unrecovered from time to time, as follows:

(i) with respect to its Respective Proceeds made available for the purpose of carrying out activities under Part A of the Project, at a rate not to exceed one and one-tenth percent (1.1%) per annum; and

(ii) with respect to its Respective Proceeds made available for the purpose of carrying out activities under Part B of the Project, at a rate not to exceed two and one-half percent (2.5%) per annum.

2. (a) Each Local Entity carrying out activities under Part A of the Project shall undertake to make available to the counties concerned, the part of its Respective Proceeds to be utilized for the purpose of carrying out such activities at the county level:

(i) on a grant basis to the extent possible; or

(ii) if not on a grant basis, then on terms at least as favorable to the county as those terms set out in Part B.1 above, except that no foreign exchange risk shall be borne by the county.

(b) Each Local Entity carrying out activities under Part B of the Project shall undertake to make available to the counties concerned, the part of its Respective Proceeds to be utilized for the purpose of carrying out such activities at the county-level, on the same terms as are set out in Part B.1 above, except that no foreign exchange risk shall be borne by the county.

C. Project Implementation

1. Each Local Entity shall undertake to maintain or cause to be maintained throughout the period of implementation of the Project, with membership, terms of reference, staffing and other resources acceptable to the Association:

(a) for Part A of the Project, at the provincial level: (i) a provincial Project leading group, to be responsible for overall coordination and oversight of the carrying out of its Respective Part of the Project; and (ii) a provincial Project loan office, to be responsible for the planning and carrying out of its Respective Part of the Project;

(b) for Part A of the Project, at the county level: (i) a county Project



leading group, to be responsible for overall coordination and oversight of the part of its Respective Part of the Project to be carried out in such county; and (ii) a county Project office, to be responsible for the planning and carrying out of such part; and

(c) for Part B of the Project, at the Local Entity Level: (i) an inter-sectoral policy guidance committee, to provide overall leadership and policy guidance for the Local Entity's Respective Part of the Project; (ii) a Project leading group, to be responsible for overall coordination and oversight of its Respective Part of the Project; (iii) a Project office, to be responsible for the planning and carrying out of its Respective Part of the Project; and (iv) a working group for health promotion interventions, a full-time manager for such interventions and a full-time training coordinator, all within the Project office.

2. Each Local Entity carrying out health promotion activities under Part B of the Project shall undertake to:

(a) prepare, under terms of reference satisfactory to the Association and the Borrower, and furnish to the Borrower, not later than October 31 in each fiscal year, for the Borrower to summarize and furnish to the Association in accordance with the provisions of Part A.2 of Schedule 4 to this Agreement, a proposed annual plan of health promotion interventions to be carried out by said Local Entity under Part B of the Project; and

(b) thereafter, promptly implement such annual plan as shall have been accepted by the Borrower and the Association.

3. Each Local Entity shall undertake to carry out training activities under its Respective Part of the Project in accordance with training programs acceptable to the Borrower and the Association.

#### D. Accounts and Audits

1. Without limitation upon the provisions of Section 4.01 of this Agreement, each Local Entity shall undertake to:

(a) 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 its Respective Part of the Project of its departments or agencies responsible for carrying out its Respective Part of the Project or any portion thereof;

(b) have said records and accounts, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(c) furnish to the Borrower, as soon as available, but in any case not later than four (4) months after the end of each such year, for consolidation in the report to be furnished by the Borrower to the Association in respect of such year pursuant to Section 4.01(b) of this Agreement, 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

(d) furnish to the Borrower, for forwarding to the Association, if the Association shall so request, such other information concerning said records, accounts and the audit thereof as the Borrower or the Association shall from time to time reasonably request.

#### E. Monitoring and Reporting

1. Each Local Entity shall undertake to maintain records and procedures adequate to record and monitor the progress of its Respective Part of the Project (including the cost and benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit and to disclose their use in its Respective Part of the Project, and furnish to the Association all such information as the Association shall reasonably request concerning its Respective Part of the Project, its cost, and

where appropriate, the benefits to be derived therefrom, the expenditures of its Respective Proceeds and the goods and services financed out of such proceeds.

2. Each Local Entity shall undertake to maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the carrying out of its Respective Part of the Project.

3. Without limitation upon the provisions of Part E.1 above, each Local Entity shall undertake to prepare, under terms of reference acceptable to the Association, and furnish to the Borrower for consolidation in the reports to be furnished by the Borrower to the Association in accordance with Part B.2 of Schedule 4 to this Agreement, the following reports:

(a) a semi-annual report, not later than March 15 and September 15 in each calendar year, summarizing the monitoring and evaluation activities carried out by said Local Entity pursuant to paragraph E.2 above in respect of the preceding calendar semester, together with any proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of its Respective Part of the Project; and

(b) a mid-term report, not later than November 15, 1998, summarizing the monitoring and evaluation activities carried out by said Local Entity from the inception of the Project, together with any proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of the Project.

4. Each Local Entity shall undertake to exchange views with the Borrower and, if so requested by the Association, the Association on each report furnished and measures proposed under Part E.3 above, and thereafter, take all such measures to further the objectives of the Project as shall have been agreed among the Borrower, the Association and the Local Entity.

#### F. Immunization Provisions

Each Local Entity carrying out immunization activities under Part A of the Project shall, under said Part of the Project, undertake to:

1. continue to provide, free of charge, vaccines in sufficient quantities and suitable quality so as to immunize all persons in its territory against tuberculosis, diphtheria, pertussis, tetanus, polio and measles;

2. (a) prepare, in accordance with terms of reference acceptable to the Association, a proposed long-term strategy for the replacement of cold chain equipment in its jurisdiction, with a view to its adoption upon completion of the Project, and (b) furnish said strategy to the Borrower for inclusion in the plan to be furnished by the Borrower to the Association pursuant to Section 3.04 of this Agreement;

3. carry out at least six (6) rounds of vaccination sessions in each fiscal year;

4. implement measures acceptable to the Association, designed to (a) ensure that all children in its territory, regardless of their registration status, shall have suitable access to its immunization programs and (b) increase access of the poorest families in its territory to its immunization programs; and

5. (a) ensure that only re-usable syringes and needles shall be procured, except that disposable syringes and needles may be procured for use exclusively in those urban areas where safe practices for the disposal of such items, consistent with the policy referred to below in paragraph (b), are applied; and

(b) ensure that safe practices for the sterilization and disposal of all syringes and needles, consistent with the applicable recommended policy of the World Health Organization, shall be applied at all times.

#### G. Health Promotion Provisions

Each Local Entity carrying out activities under Part B of the Project shall,

under said Part of the Project, undertake to:

1. prepare and include in each proposed annual plan to be furnished to the Borrower pursuant to Part C.2 of this Schedule, a proposed plan designed to control and reduce smoking of tobacco products; and

2. ensure that (a) the treatment of patients with STD and HIV shall be based on a policy of patient anonymity and (b) appropriate training shall be provided to private practitioners treating such patients.

