

CONFORMED COPY

CREDIT NUMBER 2756 CHA
LOAN NUMBER 3914 CHA

Project Agreement

(Iodine Deficiency Disorders Control Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

CHINA NATIONAL SALT INDUSTRY CORPORATION

Dated December 20, 1995

CREDIT NUMBER 2756 CHA
LOAN NUMBER 3914 CHA

PROJECT AGREEMENT

AGREEMENT, dated December 20, 1995, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), the International Bank for Reconstruction and Development (IBRD) and CHINA NATIONAL SALT INDUSTRY CORPORATION (CNSIC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twelve million seven hundred thousand Special Drawing Rights (SDR 12,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that CNSIC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the Loan Agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to seven million dollars (\$7,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that CNSIC agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(C) by a subsidiary loan agreement to be entered into between the Borrower and CNSIC, the proceeds of the credit provided for under the Development Credit Agreement and the proceeds of the loan provided for under the Loan Agreement will be made available to CNSIC on the terms and conditions set

forth in said Subsidiary Loan Agreement; and

WHEREAS, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, and the Bank's entering into the Loan Agreement with the Borrower, CNSIC has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Loan Agreement and the General Conditions (as so defined in the Development Credit Agreement and the Loan Agreement, respectively) have the respective meanings therein set forth, and, wherever used in this Agreement, the Association, the Credit and the Credit Account shall also be deemed as reference to the Bank, the Loan and the Loan Account, respectively.

ARTICLE II

Execution of the Project

Section 2.01. (a) CNSIC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, industry and health practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and CNSIC shall otherwise agree, CNSIC shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, and carry out such other actions as are set forth in said Schedule, in accordance with the provisions thereof.

Section 2.02. 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 1 to this Agreement.

Section 2.03. CNSIC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions applicable to the Development Credit Agreement and in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions applicable to the Loan Agreement (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project.

Section 2.04. CNSIC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, CNSIC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) CNSIC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of CNSIC's obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) CNSIC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by CNSIC of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of CNSIC

Section 3.01. CNSIC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, industry and health practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CNSIC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, industry and health practices.

Section 3.03. CNSIC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) CNSIC shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures in respect of the Project.

(b) CNSIC shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 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.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which both the Development Credit Agreement and the Loan Agreement become effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of CNSIC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which both the Development Credit Agreement and the Loan Agreement shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement or the Loan Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify CNSIC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions applicable to the Development Credit Agreement or the Loan Agreement.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:

197688 (TRT),
248423 (MCI),
64145 (MCI) or
82987 (TRT)

For CNSIC:

China National Salt Industry Corporation
No. 55 Taoranting Road
Xuanwu District
Beijing 100054
People's Republic of China

Cable address:

7774 Beijing

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CNSIC, may be taken or executed by the President of CNSIC or such other person or persons as said President shall designate in writing, and said President shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

Section 6.04. As long as the Bank has not given notice to the contrary to CNSIC and so long as the Development Credit Agreement shall not have terminated prior to the termination of the Loan Agreement:

(a) the obligations of CNSIC to consult with, and to furnish information, documents, plans, reports, records and statements to, the Bank shall be satisfied to the extent performance in respect of such obligations is rendered to the Association;

(b) the obligations of the Bank to consult with, and to furnish information to, CNSIC shall be satisfied to the extent such obligations are fulfilled by the Association; and

(c) all actions taken (including the giving of approvals or granting of waivers) by the Association pursuant to the Development Credit Agreement shall be deemed to be taken pursuant to both the Development Credit Agreement and the Loan Agreement, and in the name and on behalf of both the Association and the Bank.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell J. Cheetham

Regional Vice President
East Asia and Pacific

CHINA NATIONAL SALT INDUSTRY CORPORATION

By /s/ Li Daoyu

Authorized Representative

SCHEDULE 1

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 in bid packages estimated to cost \$200,000 equivalent 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. International Shopping

Iodization equipment estimated to cost \$200,000 equivalent or less per contract and other goods estimated to cost \$50,000 equivalent or less per contract, together, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Direct Contracting

Goods which 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 Bank 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 \$200,000 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 thereto 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 individual consultants 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 2

Implementation Program

For the purposes of Section 2.01(b) of this Agreement, the Implementation Program shall consist of the following.

A. Project Management

In order to ensure the proper carrying out of the Project, CNSIC shall maintain a Project implementation unit, with terms of reference, staffing and other resources acceptable to the Association, to be responsible for the overall coordination and supervision of Project execution, the supervision of the procurement of goods and services thereunder, the overall assessment of quality and impact of the Project and the program referred to in Part D of this Schedule, and the preparation and

furnishing to the Association of reports and other information thereon.

B. Part A of the Project: Iodization Projects

1. CNSIC shall procure the goods and services required for each Iodization Project and to be financed out of the proceeds of the Credit only after a Provincial Implementation Agreement has been entered into between CNSIC and the Project Province in which such Iodization Project is to be carried out and an Enterprise Implementation Agreement has been entered into between said Project Province and the Salt Enterprise which proposes to carry out said Iodization Project.

2. CNSIC shall make available to each Project Province the goods and services required for all Iodization Projects to be carried out in the territory of said Project Province and to be financed out of the proceeds of the Credit under an implementation agreement to be entered into between CNSIC and said Project Province, under terms and conditions which shall have been approved by the Association and which shall include, without limitation, those set forth in Schedule 3 to this Agreement.

3. CNSIC shall:

(a) not take any action which would prevent or interfere with the performance by any Project Province, in accordance with the Provincial Implementation Agreement to which it is a party, of the obligations of said Project Province therein set forth; and

(b) exercise its rights under each Provincial Implementation Agreement in such manner as to protect the interests of the Borrower, the Association and CNSIC, comply with its obligations under this Agreement and achieve the purposes of the Credit, and except as the Association shall otherwise agree, not assign, amend, abrogate or waive any Provincial Implementation Agreement or any provision thereof.

C. Part B of the Project

CNSIC shall carry out Part B of the Project in accordance with a time-bound action plan acceptable to the Association.

D. Iodization Program

CNSIC shall carry out a program acceptable to the Association designed to facilitate the achievement of the objective of ensuring that by December 31, 1997 all edible salt produced or distributed in the Borrower's territory shall meet the Iodization Standards.

E. Monitoring and Reporting

1. Monitoring

CNSIC shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, (a) the carrying out of the Project and (b) the carrying out of the program referred to in Part D of this Schedule; and the achievement of the objectives thereof.

2. Reporting

CNSIC shall prepare, under terms of reference acceptable to the Association, and furnish to the Association the following reports:

(a) quarterly reports, on or about January 15, April 15, July 15 and October 15 in each fiscal year, integrating the results of the monitoring and evaluation activities performed pursuant to Section 1 of this Part E, on the progress achieved in the carrying out of the Project during the preceding calendar quarter and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the then current calendar quarter;

(b) annual reports, on or about July 15 in each fiscal year, integrating the results of the monitoring and evaluation activities performed pursuant to Section 1 of this Part E, on the progress achieved in the carrying out of the program referred to in Part D of this Schedule and the achievement of the objectives thereof during the twelve-month period ending the previous June 30 and setting out the measures recommended to ensure the efficient carrying out thereof and the achievement of the objectives thereof during the next twelve-month period; and

(c) a mid-term report, on or about December 15, 1996, integrating the results of the monitoring and evaluation activities performed pursuant to Section 1 of this Part E, on the progress achieved in the carrying out of the Project, and of the program referred to in Part D of this Schedule, during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and of the program referred to in Part D of this Schedule and the achievement of the objectives thereof thereafter.

3. Consultation

After furnishing each report referred to in Section 2 of this Part E, CNSIC shall review said report with the Association, and promptly take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, as well as the efficient continued carrying out of the program referred to in Part D of this Schedule and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Association's views on the matter.

4. Operational Phase

Without limitation upon the provisions of Section 2.03 of this Agreement, CNSIC 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 Association and CNSIC, a plan for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with CNSIC on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

SCHEDULE 3

Provincial Implementation Agreements

For the purposes of Part B.2 of Schedule 2 to this Agreement, each Provincial Implementation Agreement with a Project Province shall consist of the following principal terms and conditions.

A. Terms

1. The amount payable by each Project Province to CNSIC for the goods and services made available by CNSIC to said Project Province pursuant to the provisions of Part B.2 of Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit shall be the aggregate of all amounts payable by Salt Enterprises therefor to said Project Province pursuant to Part B.1 of Schedule 4 to this Agreement.

2. The amount referred to in Section 1 of this Part A shall be paid over a period of ten (10) years, inclusive of a grace period of four (4) years.

3. Interest shall accrue on the amount referred to in Section 1 of this Part A remaining outstanding from time to time at a rate equal to six and four-fifths percent (6.8%) per annum.

B. Conditions

1. Enterprise Implementation Agreements

Each Project Province shall undertake to:

(a) make available the goods and services required for each Iodization Project to be carried out within the territory of said Project Province by a Salt Enterprise and to be financed out of the proceeds of the Credit, to said Salt Enterprise: (i) in accordance with the procedures set forth in Schedule 4 to this Agreement; and (ii) under an implementation agreement to be entered into between said Project Province and said Salt Enterprise, which shall include the principal terms and conditions set forth in said Schedule 4;

(b) (i) cause each Salt Enterprise with which it shall have entered into an Enterprise Implementation Agreement to perform, in accordance with the provisions of said Enterprise Implementation Agreement, all of the obligations of said Salt Enterprise 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 Salt Enterprise to perform such obligations; (iii) not take or permit to be taken any action which would prevent or interfere with such performance; (iv) exercise its rights under said Enterprise Implementation Agreement in such manner as to protect the interests of the Borrower, the Association, CNSIC and said Project Province, comply with its obligations under the Provincial Implementation Agreement to which it is a party and achieve the purposes of the Project; and (v) not assign, amend, abrogate or waive any Enterprise Implementation Agreement to which it is a party or any provision thereof without the prior approval of the Association.

2. NIDDEP

Each Project Province shall undertake to carry out a time-bound action plan acceptable to the Association and CNSIC, designed to facilitate the achievement of the objective of ensuring that by December 31, 1997 all edible salt produced and/or distributed in the Borrower's territory shall meet the Iodization Standards.

3. Monitoring

Each Project Province 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 (a) by each Salt Enterprise with which it shall have entered into an Enterprise Implementation Agreement, of said Salt Enterprise's respective Iodization Project and the achievement of the objectives thereof, and (b) by said Project Province, of the action plan, referred to in Section 2 of this Part B, to be carried out by said Project Province; and the achievement of the objectives thereof.

4. Reporting

Each Project Province shall undertake to prepare, under terms of reference acceptable to the Association, and furnish to the Borrower, the Association and CNSIC an annual report on or about July 15 in each fiscal year, integrating the results of the monitoring and evaluation activities carried out by said Project Province pursuant to Section 3 of this Part B, on the progress achieved in the carrying out of (a) each Iodization Project referred to in said Section 3, and (b) the action plan referred to in said Section 3 during the first calendar semester of such year and the second calendar semester of the preceding fiscal year and setting out the measures recommended to ensure the efficient carrying out thereof and the achievement of the objectives thereof during the second calendar semester of such year and the first calendar semester of the following fiscal year.

5. Consultation

Each Project Province shall undertake to review each report furnished by it pursuant to Section 4 of this Part B, with the Borrower, the Association and CNSIC, and promptly take all measures required to ensure the efficient completion of each Iodization Project covered by said report and the action plan covered by said report

and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the views of the Borrower, the Association and CNSIC on the matter.

6. Remedies

CNSIC shall have the right to suspend or terminate the right of each Project Province with which it shall have entered into a Provincial Implementation Agreement to receive any goods or services financed out of the proceeds of the Credit upon failure by said Project Province to perform its obligations under said Provincial Implementation Agreement.

SCHEDULE 4

Enterprise Implementation Agreements

For the purposes of Part B.1(a) of Schedule 3 to this Agreement, each Enterprise Implementation Agreement between a Project Province and a Salt Enterprise in respect of an Iodization Project shall be made in accordance with the following procedures and on the following principal terms and conditions.

A. Eligibility

Each Project Province shall enter into an Enterprise Implementation Agreement for the carrying out of an Iodization Project only with a Salt Enterprise which shall have demonstrated to the satisfaction of CNSIC and said Project Province, on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association that:

1. said Salt Enterprise has the organization, management, staff and other resources (including technical expertise in the operation of salt production and packaging facilities), required for the efficient carrying out of its operations, including said Iodization Project; and
2. said Iodization Project is technically feasible and consistent with the objectives of the NIDDEP.

B. Enterprise Implementation Agreements

Each Enterprise Implementation Agreement shall include the following principal terms and conditions.

1. Terms

(a) The amount payable by each Salt Enterprise to a Project Province for the goods and services made available by said Project Province to said Salt Enterprise pursuant to the provisions of Part B.1(a) of Schedule 3 to this Agreement and to be financed out of the proceeds of the Credit shall be the equivalent in terms of Special Drawing Rights (determined as of the date or respective dates of withdrawal from the Credit Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out, on account of said goods and services.

(b) The amount referred to in paragraph (a) of this Section 1 shall be paid over a period of ten (10) years, inclusive of a grace period of four (4) years.

(c) Interest shall accrue on the amount referred to in paragraph (a) of this Section 1 remaining outstanding from time to time at a rate equal to six and four-fifths percent (6.8%) per annum.

2. Iodization Projects

Each Salt Enterprise shall undertake to:

(a) carry on its operations and conduct its affairs, including the carrying out and operation of its Iodization Project, with due diligence and efficiency and in accordance with sound engineering, financial, managerial and industry practices and appropriate safety, health and environmental standards satisfactory to the Bank, with

qualified management and staff, in adequate numbers; provide, promptly, as needed, the funds, facilities, services, staff and other resources required for the purpose; and maintain adequate records and accounts;

(b) utilize all goods and services financed out of the proceeds of the Credit and made available to said Salt Enterprise exclusively in the carrying out of its Iodization Project;

(c) enable the Association, CNSIC and said Project Province to inspect such goods and the sites and works included in its Iodization Project, the operation thereof, and any relevant records and documents;

(d) at all times operate and maintain its facilities, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, industry and health practices; and

(e) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice.

3. Iodization Standards

Each Salt Enterprise shall undertake to maintain policies and procedures acceptable to the Association, CNSIC and the Project Province with which it shall have entered into an Enterprise Implementation Agreement, designed to ensure (a) that the level of iodine in all edible salt produced or packaged in each facility operated by said Salt Enterprise shall comply with the Iodization Standards applicable to production and packaging of said salt, and (b) that appropriate laboratory equipment and qualified staff shall at all times be maintained for the purpose of monitoring such compliance.

4. Monitoring

Each Salt Enterprise 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 Iodization Project, the achievement of the objectives thereof, and the operation of the facilities operated by said Salt Enterprise.

5. Reporting

Each Salt Enterprise shall undertake to prepare, under terms of reference acceptable to the Association, and furnish to CNSIC and said Project Province (for consolidation in the reports to be furnished by said Project Province to the Association pursuant to Part B.4 of Schedule 3 to this Agreement), semi-annual reports on or about January 15 and July 15 in each fiscal year, integrating the results of the monitoring and evaluation activities carried out by it pursuant to Section 4 of this Part B, on the progress achieved in the carrying out of its Iodization Project during the preceding calendar semester, including the amount of, and levels of iodine in, iodized salt produced and/or packaged during such semester in facilities operated by it, and setting out the measures recommended to ensure the efficient carrying out of its Iodization Project, the operation thereof, including compliance with the Iodization Standards, and the achievement of the objectives thereof during the then current calendar semester.

6. Consultation

Each Salt Enterprise shall undertake to review each report furnished by it pursuant to Section 5 of this Part B, with CNSIC, the Project Province with which it has entered into an Enterprise Implementation Agreement, and, if so requested by the Association, the Association, and promptly take all measures required to ensure the efficient completion of its Iodization Project and the achievement of the objectives thereof, the operation of its facilities, and the compliance of all edible salt produced and/or packaged by facilities operated by it with the Iodization Standards, based on the conclusions and recommendations of said report and the views of the Association, CNSIC and said Project Province on the matter.

7. Remedies

Each Project Province shall have the right to suspend or terminate the right of each Salt Enterprise with which it shall have entered into an Enterprise Implementation Agreement to receive any goods or services financed out of the proceeds of the Credit upon failure by such Salt Enterprise to perform its obligations under said Enterprise Implementation Agreement.

