

CONFORMED COPY

CREDIT NUMBER 3201 CHA

Development Credit Agreement

(Health Nine Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 29, 1999

CREDIT NUMBER 3201 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 29, 1999, 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 Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to ten million dollars (\$10,000,000) (the Loan); and

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made; and

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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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) "AIDS" means acquired immune deficiency syndrome.

(b) "Allocated Amount" means, in respect of each Project Province, an amount of the Credit and/or Loan allocated by the Borrower to said Project Province and to be utilized by said Project Province for purposes of carrying out its Respective Part of the Project.

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

(d) "Front-end fee" means the fee referred to in Section 2.04 of the Loan Agreement, payable by the Borrower on effectiveness of the Loan Agreement;

(e) "Fujian" means the Borrower's Province of Fujian, and any successor thereto.

(f) "Guangxi" means the Borrower's Guangxi Zhuang Autonomous Region, and any successor thereto.

(g) "Health Program" means a program under Part A or B of the Project, which satisfies the requirements set forth or referred to in paragraphs 4 through 9 of Schedule 4 to this Agreement, and which is to be carried out by a Project Province utilizing the proceeds of its Allocated Amount; and "Health Programs" means, collectively, all such programs.

(h) "HIV" means human immunodeficiency virus.

(i) "Implementation Agreement" means in respect of each Project Province, the agreement entered into between the Borrower and said Project Province in accordance with the provisions of paragraph 11 of Schedule 4 to this Agreement, as the same may be amended from time to time.

(j) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), as applied to such agreement, and all schedules and

agreements supplemental to the Loan Agreement.

(k) "MCH" means maternal and child health care.

(l) "MFA Program" means, in respect of a Project County, the medical financial assistance program to be established in said county under Part A(5) of the Project.

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

(n) "Part A Provinces" means, collectively, the Borrower's Provinces of Guizhou, Hainan, Hunan and Jilin and the Borrower's Xinjiang-Uygur Autonomous Region and any successor thereto; and "Part A Province" means any of the Part A Provinces.

(o) "Part B Provinces" means, collectively, the Borrower's Provinces of Fujian and Shanxi and the Borrower's Guangxi Zhuang and Xinjiang-Uygur Autonomous Regions and any successor thereto; and "Part B Province" means any of the Part B Provinces.

(p) "Project Counties" means, in respect of each Part A Province, those selected counties in said province in which Health Programs are proposed to be carried out and in respect of each Part B Province, those counties in said province in which Health Programs are proposed to be carried out; and "Project County" means any of the Project Provinces.

(q) "Project Provinces" means, collectively, the Borrower's Provinces of Fujian, Guizhou, Hainan, Hunan, Jilin and Shanxi and the Borrower's Guangxi Zhuang and Xinjiang-Uygur Autonomous Regions and any successor thereto; and "Project Province" means any of the Project Provinces.

(r) "Respective Part of the Project" means, in respect of each Project Province, the Health Programs to be carried out in its Project Counties.

(s) "Shanxi" means the Borrower's Province of Shanxi, and any successor thereto.

(t) "Special Accounts" means the five (5) accounts referred to in Section 2.02(b) of this Agreement, and "Special Account" means individually, any of the Special Accounts.

(u) "STD" means sexually transmitted diseases.

(v) "Xinjiang" means the Borrower's Xinjiang-Uygur Autonomous Region, and any successor thereto.

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 thirty-six million eight hundred thousand Special Drawing Rights (SDR 36,800,000).

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 open and maintain in Dollars, the following five (5) separate special deposit accounts, in one or more commercial banks acceptable to the Association, and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) one such account for purposes of Parts A and C of the Project (Borrower's Special Account); (ii) one such account for purposes of carrying out Fujian's Health Programs under Part B of the Project (Fujian's Special Account); (iii) one such account for purposes of carrying

out Guangxi's Health Programs under Part B of the Project (Guangxi's Special Account); (iv) one such account for purposes of carrying out Shanxi's Health Programs under Part B of the Project (Shanxi's Special Account); (v) one such account for purposes of carrying out Xinjiang's Health Programs under Part B of the Project (Xinjiang's Special Account). Deposits into and payments out of each 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, 2006, 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2009 and ending January 15, 2034. Each installment to and including the installment payable on January 15, 2019 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 Part C of the Project through MOH; (ii) shall cause the Part A Provinces to carry out Part A of the Project; and (iii) shall cause the Part B Provinces to carry out Part B of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, economic, environmental, financial, health and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources, necessary or appropriate to enable the Project Provinces to perform such obligations.

(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 the actions specified in the Implementation Program set forth in Schedule 4 to this Agreement in order to ensure proper implementation of the Project.

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

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

(a) prepare, on the basis of guidelines acceptable to the 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 designed to ensure the continued achievement of the Project objectives; 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 Accounts) 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, 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 and 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:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph 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 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(1) of the General Conditions, the following additional events are specified:

(a) Any Project Province shall have failed to perform any of its obligations under the Implementation Agreement to which it is a party.

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

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, any event specified in Section 5.01(a) of this Agreement shall occur and shall continue 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) Implementation Agreements have been executed between the Borrower and at least two Part A Provinces and two Part B Provinces.

(b) All conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of 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 Implementation Agreement with each of the Project Provinces referred to in Section 6.01(a) of this Agreement has been duly authorized or ratified by the Borrower and said Project Province, and is legally binding upon the Borrower and said Project Province in accordance with its terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

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 (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/ Liu Xiaoming

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Michel Severino

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Loan

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

Category Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be
(1) For Part A of the Project:			
(a) Works	1,541,000	--	35%
(b) Goods (excluding foreign supplies and materials under expendi- of local (ex-factory cost) and 75% of local expenditures for other items procured locally	11,860,000	--	100% of expenditures, of local tures, 100% expenditures
(c) Training:			
(i) In-country	5,064,000	--	65%
(ii) Overseas	403,000	--	100%
(d) Consultants' services for:			
(i) operational research studies	110,000	--	100%
(ii) others	800,000	--	100%
(e) Program Support	4,711,000	--	60%
(f) Unallocated	521,000	--	
(2) For Fujian's Health Programs under Part B of the Project:			
(a) Goods (excluding foreign supplies and materials under expendi- of (ex-factory cost) and 75% of local expenditures	1,125,000	992,000	100% of expenditures, of local tures cost) and 75% local

items			for other
locally			procured
(b) Training:			
(i) In-country	245,000	220,000	65%
(ii) Overseas	196,000	176,000	100%
(c) Consultants' services	124,000	112,000	100%
(d) Program Support	711,000	640,000	60%
(3) For Guangxi's Health Programs under Part B of the Project:			
(a) Goods (excluding foreign supplies and materials under expenditure-Program Support) (ex-factory of expenditure other procured	1,258,000	1,112,000	100% of expenditures, of local tures cost) and 75% local tures for items locally
(b) Training:			
(i) In-country	147,000	132,000	65%
(ii) Overseas	173,000	156,000	100%
(c) Consultants' services	133,000	120,000	100%
(d) Program Support	556,000	500,000	
(4) For Shanxi's Health Programs under Part B of the Project:			
(a) Goods (excluding foreign supplies and materials under expenditure-Program Support) (ex-factory of expenditures for other items procured locally	1,089,000	960,000	100% of expenditures, of local tures cost) and 75% local

	(b) Training:			
	(i) In-country	133,000	120,000	65%
	(ii) Overseas	191,000	172,000	100%
	(c) Consultants' services	116,000	104,000	100%
	(d) Program Support	738,000	664,000	60%
(5)	For Xinjiang's Health Programs under Part B of the Project:			
foreign 100% expendi- of expenditures for	(a) Goods (excluding supplies and materials under Program Support) (ex-factory other items procured locally	1,120,000	990,000	100% of expenditures, of local tures cost) and 75% local
	(b) Training:			
	(i) In-country	220,000	200,000	65%
	(ii) Overseas	53,000	48,000	100%
	(c) Consultants' services	76,000	68,000	100%
	(d) Program Support	485,000	436,000	60%
(6)	For Part C(1) of the Project:			
	(a) Overseas training	56,000	--	
	(b) Consultants' services for:			
	(i) operational research studies under Part C(1)(b) of the Project	25,000	--	100%
	(ii) other services	595,000	--	100%
(7)	For Part C(2) of the Project:			
foreign 100% expendi-	(a) Goods (excluding supplies and materials under	1,445,000	1,278,000	100% of expenditures, of local

Program Support) tures
(ex-factory cost) and 75%
of local
expenditures for other
items procured
locally

(b) Training:			
(i) In-country	124,000	112,000	65%
(ii) Overseas	267,000	240,000	100%
(c) Consultants' services	142,000	128,000	
(d) Program Support	245,000	220,000	
(8) Front-end fee	--	100,000	
	<hr/>	<hr/>	
TOTAL	36,800,000	10,000,000	
	=====	=====	

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, provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods and services supplied from said region shall be deemed to be "foreign expenditures";

(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 surveillance and monitoring services, logistical support, information collection and reporting, medical supplies (excluding drug reagents), non-medical supplies and materials, transportation, accommodations, consumable materials, and allowances for health staff (but excluding staff salaries), all as required by personnel at all levels in carrying out the Project.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,200,000, may be made in respect of Categories (1), (2), (3), (4), (5), (6) and (7) on account of payments made for expenditures before that date but after January 1, 1999; and

(b) expenditures under a Project Province's Respective Part of the Project, unless and until the Association and the Bank shall have notified the Borrower and said Project Province of its receipt of evidence satisfactory to it that an Implementation Agreement has been entered into between the Borrower and said Project Province and that said Implementation Agreement has been duly authorized or ratified by the Borrower and said Project Province and is legally binding upon the Borrower and said Project Province in accordance with its terms.

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

- (a) for works under contracts costing less than \$300,000 equivalent each;
- (b) for goods under contracts costing less than \$300,000 equivalent each;
- (c) for consultants' services under contracts awarded to consulting firms and costing less than \$100,000 equivalent each;
- (d) for consultants' services under contracts awarded to individual consultants and costing less than \$50,000 equivalent each; and
- (e) for training and Program Support, regardless of the cost thereof all under such terms and conditions as the Association and the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in: (1) reducing maternal and child mortality and morbidity and improving child survival and development in the poorest areas of the Borrower's territory; and (2) designing and implementing comprehensive and multi-sectoral public health programs to prevent and control HIV, AIDS, STD and blood-borne infections and improving the capacity of the Borrower's health sector institutions therefor.

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: Maternal Health and Child Development

(1) Basic Maternal Health and Child Development Care Services

Development and carrying out of programs designed to improve the quality and effectiveness of maternal and child health care services provided at the village, township and county levels, including the following: (a) programs for systematic prenatal care, appropriate obstetric care and labor and delivery care; (b) programs for early detection, management and timely referral of high-risk pregnancies and for prevention and management of intra- and post-partum complications, such as hemorrhage, and other emergencies; (c) child health care programs, such as programs for integrated sick child care for priority childhood illnesses, malnutrition, and newborn resuscitation and care; (d) improved well-child and systematic newborn care programs; and (e) limited rehabilitation of health facilities and provision of equipment, materials and supplies required for carrying out the programs referred to in the foregoing subparagraphs (a) through (d).

(2) Family and Community Participation and Education

Development and implementation of programs designed to increase family and community participation in health care and improve health education, such programs to include measures to: (a) promote pre-marital counseling, involvement in self-care, and timely use of the appropriate health services; (b) adapt health educational materials for better user- and family-orientation; (c) address priorities, such as prevention and treatment of anemia, Vitamin A deficiency, rickets and worm infestation; (d) promote and monitor nutrition through counseling on breast-feeding, weaning, supplemental foods and nutrition surveillance; (e) promote parenting skills to foster children's psychosocial development through the use of simple culturally appropriate health education materials; and (f) design and produce child development and maternal health information, education, and communication materials. Provision of training, equipment, materials and supplies required for carrying out the activities referred to in the foregoing subparagraphs (a) through (f).

(3) Management of MCH Services

Strengthening of institutional capabilities in the management of MCH services by

developing and implementing programs to improve: (a) MCH planning and coordination mechanisms and skills; (b) the frequency and quality of supervisory support between the different service levels within each Project Province; and (c) the function and use of the existing management information and surveillance systems. Provision of training and equipment required for carrying out the activities referred to in the foregoing subparagraphs (a) through (c).

(4) Health Workers' Training

Improvement of the managerial, technical and clinical skills of MCH staff, through the development of a program of regular refresher training that can be replicated by the Project Provinces and provision of materials and supplies required therefor.

(5) Medical Financial Assistance

Development and implementation of a program of medical financial assistance in each Project County of the Part A Provinces, to cover part of the costs of providing to the poorest families selected health services that reduce the risks of maternal and child mortality, serious morbidity from pregnancy and delivery complications and child mortality and disability.

Part B: Prevention and Control of HIV, AIDS, STD and Other Blood-Borne Infections

(1) Policy Development and Implementation

Development and implementation of comprehensive and multi-sectoral public health programs to prevent and control HIV, AIDS and STD, said programs to include measures to: (a) develop policies at the central and provincial levels to raise their awareness to HIV, AIDS and STD and commitment to preventing and controlling such diseases; (b) strengthen multisectoral collaboration; (c) build the disease prevention and control capacities of public and private organizations; (d) integrate HIV, AIDS and STD programs into other health services; and (e) strengthen policies on syndromic management of STD, safe blood management, marketing of condoms beyond the health service sector, managing the health of floating populations and protection of AIDS patients against discrimination.

(2) HIV, AIDS and STD Interventions and Support

Development and implementation of programs designed to: (a) prevent and control HIV, AIDS and STD, including education of the general population, interventions targeted at those with high risk behaviors, improved STD management and condom social marketing; and (b) provide care and create a supportive environment for people with said diseases.

(3) HIV, AIDS and STD Surveillance

Development and implementation of a surveillance system to monitor HIV, AIDS and STDs epidemic and behavior trends.

(4) Blood Management

Improvement of the blood management system in order to reduce blood-borne infections, by: (a) establishing a program of voluntary unpaid blood donations; (b) implementing a program of quality assurance for blood testing, processing, storage and delivery; and (c) developing, disseminating, and promoting the use of clinical guidelines for good transfusion practice. Provision of training, material and staff in appropriate numbers required for carrying out the activities referred to in the foregoing subparagraphs (a) through (c).

Part C: Project Coordination and Support

(1) Maternal Health and Child Development

Development and implementation of institutional arrangements at the national level to facilitate the implementation of Part A of the Project by: (a) providing

policy guidance and technical, coordination, and supervision support to Project Provinces for Project implementation; (b) conducting research in health problem areas, including operational research on MCH service financing for the poorest families and MCH service utilization; and (c) analyzing and disseminating Project implementation experience.

(2) Prevention and Control of HIV, AIDS, STD and Other Blood-Borne Infections

Development and implementation of institutional arrangements at the national level to facilitate the implementation of Part B of the Project by: (a) providing policy guidance and technical, coordination, and supervision support to Project Provinces for Project implementation; (b) conducting research in health problem areas; (c) analyzing and disseminating Project implementation experience; and (d) improving the capacity of the Borrower's National Aids Reference Laboratory to provide HIV training and technical support and quality assurance for HIV testing and management.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. For the purposes of the procurement of goods or works to be financed in whole or in part out of the proceeds of the Credit, the references in paragraphs 1.6 and 1.8 of the Guidelines to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

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

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 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 hereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region of the Borrower).

Part C: Other Procurement Procedures

1. National Competitive Bidding

The following contracts may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines:

(a) contracts for goods (excluding vehicles) estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$15,286,000 equivalent; and

(b) contracts for works, estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$1,607,000 equivalent.

2. National Shopping

Goods (excluding vehicles) estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$4,968,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods (excluding vehicles) which: (i) should be procured as an extension of an existing contract; (ii) must be purchased from the original supplier to be compatible with existing equipment; (iii) are of a proprietary nature; or (iv) must be procured from a particular supplier as a condition of a performance guarantee and costing \$764,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Force Account Works which meet the requirements of paragraph 3.8 of the Guidelines, and are estimated to cost less than \$25,000 equivalent per assignment, up to an aggregate amount not to exceed \$1,205,000 equivalent, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$4,420,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the 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 and works 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

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

(i) the first two contracts for works, regardless of the cost thereof, to be procured by each Project Province;

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

(iii) all contracts for goods and works to be procured in accordance

with the provisions of Part B of the this Section I.

(b) Notwithstanding the provisions Part D.2(a) of this Section, if any of the contracts referred to in subparagraph (i) thereof are to be procured under small works procedures in accordance with the provisions of Part C.5 of this Section I, the following procedures shall apply:

(i) prior to the selection of any contractor under such procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under such procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provision of the following Parts of this Section II.

2. For the purposes of the procurement of consultants' services to be financed in whole or in part out of the proceeds of the Credit, the references in paragraphs 1.6 and 1.8 of the Guidelines to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Service Delivery Contractors

Services to be provided by health workers, medical personnel and contractors for training and institution and training development under Parts A and B of the Project shall be in procured in accordance with procedures acceptable to the Association.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the

Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

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

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

(c) Notwithstanding the provisions of paragraphs (a) and (b) above, the terms of reference of each overseas study tour, including the criteria for selection of participants, shall be furnished to the Association for its prior review and approval. Such study tour shall be finalized and conducted only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2(a) or 2(b) of this Part, and subject to the provisions of paragraph 2(c) of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01(b) of this Agreement.

Project Management

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

(a) a Project leading group, chaired by the Minister of MOH, to be responsible for overall direction, coordination and oversight of the carrying out of the Project;

(b) a Project coordination group, to be responsible for the provision of guidance on Project implementation, including provision of advice on technical issues;

(c) a Project management office, to be responsible for daily oversight of the Project and coordination among the Project Provinces; and

(d) a Panel of Technical Experts for Part A of the Project and a Panel of Technical Experts for Part B of the Project, each panel to be responsible for providing technical guidance to and reviewing the annual plans of the relevant Project Provinces.

2. With respect to Part B(2) of the Project, 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 year, the proposed annual plans prepared by each Part B Province in accordance with the provisions of Section II.E.2(a) of the Annex to this Schedule 4; and

(b) afford the Association a reasonable opportunity to exchange views with

the Borrower on said annual plans, and thereafter, promptly inform each Part B Province of such annual plan as shall have been accepted by the Borrower and the Association in respect of said Province's Respective Part of the Project.

3. With respect to Part C(2)(d) of the Project, the Borrower shall, through MOH: (a) furnish to the Association, not later than November 30 in each year, for review and approval, an annual plan for the improvement of the capacity of the National Aids Reference Laboratory; and (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan and, thereafter, promptly implement the same, taking into account the views of the Association on the matter.

Health Programs

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

(a) the Project Province shall have demonstrated to the satisfaction of the Borrower, through MOH, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Association, that the requirements set out in paragraphs 5 through 9 below have been met; and

(b) the Association has notified the Borrower and the Project Province of the Association's approval of the proposed program.

5. The proposed program shall be economically and financially viable, and technically feasible, and shall have been designed in accordance with appropriate public health standards and practices.

6. The Project Province shall have the organization, management and resources required for the proper carrying out of the proposed program, and to this end, has established a provincial-level project leading group, project coordinating group, project management office and panel of technical experts, all in accordance with the provisions of Section II.A of the Annex to this Schedule.

7. For programs proposed under Part A of the Project, each Project County shall have developed: (a) an MFA Program, in accordance with guidelines acceptable to the Association, designed to reimburse health service providers for the difference between the cost of providing essential health services to at least five percent of the poorest families living in said county and the amount paid, if any, by said families for such services; and (b) a time-bound action plan, acceptable to the Association, for the implementation of said program.

8. For programs proposed under:

(a) Part B of the Project, the Part B Province proposing the program shall have established a policy of confidentiality regarding the identity of persons affected by HIV, AIDS and STD.

(b) Part B(4) of the Project, the Part B Province proposing the program shall have: (i) developed and begun implementation of a plan, satisfactory to the Association, for enforcement actions to be taken against the illegal collection of blood; and (ii) completed a baseline survey of said province's blood center practices in blood collection, processing and use.

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

10. Upon qualification of a Health Program under paragraph 4 above, the Borrower shall enter into an implementation agreement with the Project Province in accordance with the provisions of paragraph 11 below.

Implementation Agreements

11. For purposes of carrying out the Project, the Borrower shall make available to each Project Province, the latter's respective Allocated Amount: (a) on the principal terms set forth in the Annex to this Schedule; and (b) on conditions acceptable to the

Association and as set forth in an implementation agreement, which shall be entered into between the Borrower and said Project Province in accordance with the provisions of said Annex.

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

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

14. The Borrower shall:

(a) maintain policies and procedures, and shall ensure that each Project Province shall maintain policies and procedures, adequate to enable each of them to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

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

(i) semi-annual reports, not later than April 30 and October 31 in each calendar year: (A) integrating the results of the monitoring and evaluation activities, performed pursuant to paragraph 14(a) of this Schedule 4, on the progress achieved in the carrying out of the Project during the six-month period preceding the date of said reports and ending on December 31 and June 30 respectively; and (B) setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(ii) a mid-term report, not later than December 31, 2002, integrating the results of the monitoring and evaluation activities performed pursuant to paragraphs 14(a) and 14(b)(i) of this Schedule 4, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(c) after furnishing:

(i) each report referred to in paragraph 14(b)(i) of this Schedule 4, 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, based on the conclusions and recommendations of the said report and the Association's views on the matter.

(ii) the report referred to in paragraph 14(b)(ii) of this Schedule 4, review said report with the Association, by December 31, 2002, or such later date as the Association shall request, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

For purposes of paragraph 11 of Schedule 4 to this Agreement, the terms of availability of each Allocated Amount shall be those set forth in Section I of this Annex, and the Implementation Agreements shall be entered into on the conditions set forth in Section II of this Annex.

Section I. Terms of Availability of the Respective Allocated Amount

A. Credit

1. The principal amount of the Credit proceeds made available to each Project Province which shall be recovered by the Borrower from said Project Province, (a) shall be the equivalent in terms of SDR (determined as of 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 province's Respective Part of the Project, and to be financed out of the proceeds of the Credit (the Credit Amount); and (b) shall be recovered by the Borrower in a foreign currency selected by the Borrower in an amount equivalent to the Credit Amount (determined as of the date or respective dates of repayment).

2. The Borrower shall recover from each Project Province said province's respective Credit Amount in semi-annual installments payable over a period of 17 years, inclusive of a grace period of 5 years.

3. The Borrower shall collect from each Project Province: (a) a commitment fee on said province's respective Allocated Amount of the Credit not withdrawn from time to time, at a rate which shall not exceed one-half of one percent (1/2 of 1%) per annum; and (b) a service charge on said province's respective Allocated Amount of the Credit proceeds withdrawn and outstanding from time to time, at a rate which shall not exceed three fourths of one percent (3/4 of 1%) per annum.

B. Loan

1. The principal amount of the Loan proceeds which shall be recovered by the Borrower from each Project Province, shall be (a) the sum of: (i) the amount equivalent in Dollars (determined as of the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of the cost of goods and services required for said Project Province's Respective Part of the Project, and to be financed out of the proceeds of the Loan; and (ii) an amount equal to one percent (1%) of the proceeds of the Loan allocated by the Borrower to said Project Province for purposes of carrying out its Respective Part of the Project, (collectively, the Loan Amount); and (b) shall be recovered by the Borrower in Dollars.

2. The Borrower shall recover from each Project Province said province's respective Loan Amount in semi-annual installments payable over a period of 20 years, inclusive of a grace period of 5 years.

3. The Borrower shall collect from each Project Province: (a) a commitment fee on said province's respective Allocated Amount of the Loan not withdrawn from time to time, at a rate which shall not exceed three fourths of one percent (3/4 of 1%) per annum; and (b) interest on said province's respective Allocated Amount of the Loan withdrawn and outstanding from time to time, at a rate which shall not exceed the rate payable by the Borrower from time to time pursuant to Section 2.06 of the Loan Agreement.

Section II. Implementation Agreements with Project Provinces

Each Implementation Agreement with a Project Province shall contain provisions pursuant to which the Project Province shall be obligated to carry out the actions applicable to it and set forth in paragraph 14 of Schedule 4 to this Agreement and to carry out the following actions.

A. Management of Each Project Province's Respective Part of the Project

1. In order to facilitate the implementation of Part A and B of the Project, each Project Province shall establish and, thereafter, maintain throughout the period of Project implementation, with composition, terms of reference, staffing and other

resources acceptable to the Association:

(a) a Project leading group, chaired by the Vice Governor of the Project Province, to be responsible for policy coordination under the Project;

(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) a Project management office, to be responsible for oversight of the Project and coordination among the Project Counties; and

(d) a Panel of Technical Experts to be responsible for providing technical guidance and reviewing the annual plans for Project implementation.

B. General Implementation of each Project Province's Respective Part of the Project

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

2. Without limitation upon the foregoing, if any Health Program included in its Respective Part of the Project would involve the involuntary resettlement of persons, each Project Province shall ensure that all such persons shall be resettled prior to the implementation of said Health Program in accordance with a resettlement plan approved by the Association, which shall have been designed on the basis of policies, planning principles, institutional arrangements and design criteria acceptable to the Association, so as to improve the living standards and production levels of said persons.

3. Each Project Province shall ensure that: (a) the goods, works and services required for its Respective Part of the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement; (b) said goods shall be insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the purchaser thereof to replace or repair such goods; and (c) said goods, works and services shall be utilized exclusively for the purpose of carrying out its Respective Part of the Project.

4. Each Project Province shall enable the Borrower and the Association to examine all goods, facilities, sites and works included in its Respective Part of the Project, the operation thereof, and any relevant records and documents.

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

C. Financial Reporting

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

2. Each Project Province shall:

(a) have the records and accounts referred to in paragraph C.1 of this Section II, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

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

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

D. Programs under Part A of the Project

1. Each Part A Province shall ensure that all Project Counties:

(a) (i) implement the MFA Program in accordance with the time-bound action plan approved by the Association in accordance with paragraph 7(b) of Schedule 4 to this Agreement; and

(ii) operate the MFA Program in accordance with policies and procedures acceptable to the Association, said policies and procedures to define: (A) the health expenditures to be covered by the MFA Program; (B) the health service providers and families eligible to participate in such scheme; (C) the terms and conditions of financial coverage under such scheme; and (D) the operational guidelines for the determination of such eligibility and for the operation and management of said scheme; and

(b) shall not, unless otherwise agreed with the Association, expand the clinical capacity of the county-level MCH facilities.

2. Each Part A Province shall ensure that operational research, in accordance with guidelines satisfactory to the Association, on MCH service financing to the poorest families and MCH service utilization, is carried out in at least three (3) of its Project Counties.

3. Prior to commencing any civil works under a Health Program, each Part A Province shall submit its civil works plan to the Association for review, describing, inter alia, the purpose of and justification for said works and the location, design standard and cost estimates thereof, and no civil works shall commence until the Association shall have accepted such plan.

E. Programs under Part B of the Project

1. In carrying out a Health Program under Part B of the Project, each Part B Province shall maintain the policy of confidentiality regarding the identity of persons affected by HIV, AIDS and STD, which was established pursuant to paragraph 8(a) of Schedule 4 to this Agreement.

2. In carrying out a Health Program under Part B(2) of the Project, each Part B Province shall:

(a) prepare a detailed annual plan for the implementation of HIV-, AIDS- and STD- related interventions, under terms of reference satisfactory to the Borrower and the Association, and not later than October 31 in each fiscal year, furnish said plan to the Borrower for it to review, summarize and furnish to the Association in accordance with the provisions of paragraph 2(a) of Schedule 4 to this Agreement and thereafter, promptly implement such annual plan as shall have been accepted by the Borrower and the Association; and

(b) by December 31, 1999, establish policies to: (i) provide training to private practitioners treating STD and HIV patients, (ii) license trained and qualified practitioners, and (iii) take strict measures to prevent the treatment of STD by unlicensed and unqualified persons.

3. In carrying out a Health Program under Part B(4) of the Project, each Part B Province shall:

(a) implement measures, satisfactory to the Association, designed to ensure that:

(i) the proceeds of the Credit will not be used for the expansion of blood component preparation beyond the levels established by the baseline survey conducted pursuant to paragraph 8(b)(ii) of Schedule 4 to this Agreement; and

(ii) blood centers participating in this Project shall not sell blood or blood plasma for commercial fractionation or other commercial uses;

(b) carry out annual audits of blood center activities, in accordance with guidelines satisfactory to the Association; and

(c) maintain enforcement actions against the illegal collection of blood under the plan developed pursuant to paragraph 8(b)(i) of Schedule 4 to this Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means in respect of each of the five (5) Special Accounts, the respective Categories set forth in the Annex to this Schedule.

(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 or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means, in respect of each of the five (5) Special Accounts, the respective amount set forth as the Authorized Allocation for each Special Account in the Annex to this Schedule, to be withdrawn from the Credit Account or the Loan Account and deposited into 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 set forth in the Annex to this Schedule as the "Initial Deposit" in respect of the Authorized Amount until the aggregate amount of with withdrawals from the Credit Account and the Loan Account plus the total amount of all outstanding special commitments entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions shall be equal to or exceed the equivalent of the amount set forth in said Annex as the "Aggregate Amount" in respect of said Authorized Allocation.

2. Payments out of each 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish said 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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Loan Account and deposit into 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 or the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account or the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a 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 any 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 from the Loan Account in accordance with the provisions of Section 2.02 of the Loan Agreement and Article V of the General Conditions applicable thereto;

(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 or to the Bank pursuant to Section 3.01 of the Loan Agreement, in respect of the audit of the records and accounts for the Special Accounts;

(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 or the Loan Account pursuant to the provisions of Section 6.02 of the respective General Conditions; or

(d) once the total unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories for said Special Account, minus the total amount of all outstanding special commitments entered into by the Association or the Bank pursuant to Section 5.02 of the respective 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 and the Loan Account of the remaining unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories for said Special Account 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 said 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 any 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 said Special Account (or, if the Association shall so request, refund to the Association or the Bank) 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 said 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 any 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 or the Bank all or any portion of the funds on deposit in any 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 or the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of the Development Credit Agreement or the Loan Agreement, including the General Conditions applicable thereto.

