

September 14, 2001

Ms. Chen Yonglin
Deputy Director, International Department
All China Women's Federation
No. 15 Jian Guo Men Nei Street
Beijing
People's Republic of China

Re: Japan Social Development Fund Grant for
Empowering the Poor Women in the Western Region
Grant Number TF026781

Dear Ms. Chen:

I am writing on behalf of the International Bank for Reconstruction and Development (the Bank) to indicate the Bank's agreement, as administrator of grant funds provided by Japan under the Japan Social Development Fund, to make a grant in an amount not exceeding nine hundred fifty thousand United States dollars (US\$950,000) (the Grant) to All China Women's Federation (the Recipient) for the benefit of the People's Republic of China.

The Grant is made in response to the Recipient's request for financial assistance with the project described in paragraph 1 of the Annex to this Letter Agreement (the Project) on the terms and conditions set forth in the said Annex and on the basis of the Letter Agreement between the People's Republic of China and the Bank, of even date herewith, which sets out the People's Republic of China's confirmation of its support and its undertaking of all action necessary or appropriate to enable the Recipient to carry out its obligations set forth in the Letter Agreement. The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant for the said Project and on the said terms and conditions.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Austin Hu for Yukon Huang
Country Director, China
East Asia and Pacific Region

ALL CHINA WOMEN'S FEDERATION

By /s/ Yonling Chen
Deputy Director General

Date: September 28, 2001

ANNEX

Objectives, Terms, and Conditions of the Grant

1. Description of the Project

1.1. The objective of the Project is to assist the Recipient in empowering and building the capacity of vulnerable groups of women, such as women who are poor, unemployed or migrants ("Beneficiaries"), in the Gansu Province and Shaanxi Province ("Project Provinces") to overcome unemployment and poverty. The Project is related to the Labor Market Development Project, Credit Number 2800 and Loan Number 3967.

1.2. The Project consists of the following Parts, each of which includes the

following activities (Activities):

Part A: Knowledge for Entrepreneurial Development and Employment

Assist the Beneficiaries in developing livelihoods, through a program of Sub-projects ("Part A Sub-projects") under which grants ("Part A Sub-grants") are provided to Beneficiaries to finance their training to develop entrepreneurial and employment skills in line with the needs of the labor market. The Activity is estimated to cost the equivalent of US\$300,000.

Part B: Support for Small Business Development

Assist the Beneficiaries in participating in private business development, through a program of Sub-projects ("Part B Sub-projects") under which grants ("Part B Sub-grants") are provided to the Beneficiaries to finance goods and services for the establishment or expansion of small businesses. The Activity is estimated to cost the equivalent of US\$600,000.

Part C: Developing Capacity for Management, Monitoring and Evaluation

Develop and enhance the institutional capacity of the Recipient for the management, monitoring and evaluation of programs, through the provision of training and equipment. The Activities are estimated to cost the equivalent of US\$50,000.

1.3. For purposes of this Letter Agreement the following terms, wherever used in this Letter Agreement, have the following meanings:

(a) "Community Working Group" means a community working group that is made up of stakeholders from local communities, counties and districts, chaired by a director from the local Women's Federation and is established in the local Women's Federation of the Participating Provinces. Said group shall be responsible for pre-screening Part A Sub-project and Part B Sub-project proposals and making recommendations to the Program Steering Committee on Part A Sub-project applications and to the Grant Steering Committee on Part B Sub-project applications, all in accordance with the policies and procedures set out in the Operations Manual.

(b) "Grant Steering Committee" means a grant steering committee established by the Recipient and staffed with specialists from the business, industry, commerce and service sectors and chaired by a program director from the Recipient's office. Said committee shall be responsible for the review and approval of Part B Sub-projects in accordance with the policies and procedures set out in the Operations Manual.

(c) "Program Steering Committee" means a program steering committee that will be established by the Recipient, staffed with specialists in business and skills training and chaired by a program director from the Recipient's office. Said committee shall be responsible for the review and approval of Part A Sub-projects in accordance with the policies and procedures set out in the Operations Manual.

(d) "Sub-grant" means a grant made available by the Recipient out of the proceeds of the Grant for a Sub-project under Part A ("Part A Sub-grants") and Part B ("Part B Sub-grants") of the Project, and the term "Sub-grants" means collectively, all of such Sub-grants.

(e) "Sub-projects" means Part A Sub-project and Part B Sub-project, and the term "Sub-project" means any of such Sub-projects.

2. Implementation Generally

2.1. The Recipient shall: (a) carry out the Project with due diligence and efficiency; (b) promptly provide the funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Project and the use of the proceeds of the Grant as the Bank shall reasonably request; (d) from time to time exchange views with the Bank's representatives on the progress and results of the Project; and (e) take all necessary measures required on its part to enable the Bank to visit the territory of the People's Republic of China for purposes related to the Grant. Without limitation on the foregoing, the Recipient shall, if the Bank shall so request, prepare and furnish to the Bank promptly upon completion of the Project a report, in form and substance satisfactory to the Bank, on the results and impact of the Project.

2.2 In carrying out Parts A and B of the Project, the Recipient shall:

(a) Prepare a Sub-project Operations Manual ("Operations Manual"), acceptable to the Bank, for the implementation of Parts A and B of the Project, which Operations Manual shall include the procedure and criteria for appraisal and selection of Sub-projects, procurement procedures, reporting requirements, terms and conditions governing the Sub-grants and standard documentation. The Recipient shall not amend such Operations Manual without the agreement of the Bank.

(b) Enter into a Sub-project agreement, satisfactory to the Bank, with a Beneficiary selected in accordance with and on the terms and conditions set out in the Operations Manual before making any proceeds of the Grant available to said Beneficiary.

2.3 The Recipient shall ensure that the Beneficiaries are selected according to criteria acceptable to the Bank, including the following:

(a) A Beneficiary should be a resident of one of the nationally-designated poor counties or districts in the Project Provinces.

(b) A Beneficiary proposing a Part A Sub-project: (i) should have completed primary education; (ii) should have enrolled in a training program, acceptable to the Bank; and (iii) should contribute a minimum of twenty percent (20%) of the total Sub-project cost.

(c) A Beneficiary proposing a Part B Sub-project should: (i) have completed entrepreneurial or business skills training, acceptable to the Bank; (ii) furnish a business plan in accordance with the terms provided in the Operations Manual.

3. Procurement

3.1. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I to this Annex.

3.2. The Recipient shall ensure that all imported goods to be financed out of the proceeds of the Grant shall be insured against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and that any indemnity for such insurance is payable in a freely usable currency to replace or repair such goods. The Recipient shall ensure that any facilities relevant to the Project are at all times operated and maintained in accordance with appropriate practices and that any repairs or renewals of such facilities are promptly made as needed.

4. Withdrawal of Grant Proceeds

4.1. The amount of the Grant shall be credited to an account opened by the Bank on its books in the name of the Recipient (the Grant Account), and may be withdrawn therefrom by the Recipient in accordance with the provisions of this Section 4, for 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 Grant.

4.2. The expenditures for the following Categories of items may be financed out of the proceeds of the Grant and shall be used exclusively in the carrying out of the Project:

Category	Amount of the Grant Allocated (in United States dollars)	% of Expenditures to be Financed
(1) Sub-grants	900,000	100% of Sub-grant amount disbursed
(2) Training	20,000	100%
(3) Goods	30,000	100% of foreign expenditures, 100% of local
expenditures		(ex-factory cost) and 75% of local expenditures for

other

items procured
locally

TOTAL 950,000

For purposes of this paragraph: (a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Recipient for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Recipient for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and (b) the term "local expenditures" means any expenditures that are not foreign expenditures.

4.3. Notwithstanding the provisions of paragraph 4.2 above:

(a) No withdrawals shall be made from the Grant Account: (i) for payments made for expenditures prior to the date of signature of this Letter Agreement by the Bank; (ii) for expenditures under Category 1, until the Bank shall have notified the Recipient of its receipt of evidence satisfactory to the Bank that the Program Steering Committee, Grant Steering Committee and Community Work Groups have been established and that the Operations Manual acceptable to the Bank has been issued; (iii) on account of payments for any taxes levied by or in the territory of the Recipient; (iv) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in or services supplied from such territories; or (v) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Bank's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations;

(b) No withdrawals shall be made from the Grant Account after August 31, 2003 or such later date that the Bank shall establish by notice to the Recipient (the Closing Date); and

(c) If, in the Bank's opinion, an amount of the Grant allocated to any of the items in the table in paragraph 4.2 above will be insufficient to finance the expenditures for such item, the Bank may, by written notice to the Recipient, reallocate to such item an amount of the Grant then allocated to another item which, in the Bank's opinion, will not be necessary to meet other expenditures.

4.4. When the Recipient shall desire to withdraw any amount from the Grant Account, it shall deliver to the Bank a written application for withdrawal of such amount in the form specified by the Bank. Withdrawal applications shall be: (a) signed on behalf of the Recipient by the Deputy Director, International Department of All China Women's Federation (ACWF) or such other person as he or she shall have authorized in writing; and (b) accompanied by such evidence in support of the application as the Bank shall reasonably request. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided with the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Bank that the Recipient is entitled to withdraw such amount from the Grant Account and that such amount is to be used in the carrying out of the Project. The Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

4.5. The Bank may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (a) Sub-grants costing less than US\$30,000 equivalent each; (b) expenditures for goods under contracts costing less than US\$30,000 equivalent in aggregate; and (c) training under contracts costing less than US\$20,000 equivalent in aggregate, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

4.6. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Bank, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

4.7. To facilitate the carrying out of the Project, the Recipient may open and maintain in United States dollars a special deposit account (the Special Account) in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Attachment II to this Annex.

5. Accounts and Audits

5.1. (a) The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project.

(b) The Recipient shall: (i) have the records, accounts and financial statements referred to in subparagraph (a) above and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall: (i) maintain or cause to be maintained, in accordance with subparagraph (a) above, records and accounts reflecting such expenditures; (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (iii) enable the Bank's representatives to examine such records; and (iv) ensure that such records and accounts are included in the annual audit referred to in subparagraph (b) above 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.

6. Suspension and Cancellation

6.1. The Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations herein specified; or (b) the right of the Recipient or the People's Republic of China, or any other entity to which the Bank has made a loan with the guarantee of the People's Republic of China, to make withdrawals under any loan agreement with the Bank or any development credit agreement with the International Development Association shall have been suspended.

6.2. The Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account: (a) at any time after the right of the Recipient to make withdrawals from the Grant Account shall have been suspended pursuant to the provisions of paragraph 6.1 above; or (b) if the Recipient shall have failed to take action, satisfactory to the Bank, within six months after the effective date hereof, to carry out the Project.

Attachment I

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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: Procurement from UN Agencies

Except as otherwise provided in Part C of this Section, goods shall be procured from the Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part C: Procurement Procedures

1. National Shopping

Goods estimated to cost less than US\$30,000 equivalent per contract 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.

2. Community Participation

Goods required for Parts A and B of the Project may be procured in accordance with procedures acceptable to the Bank.

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 Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Post Review

With respect to all contracts, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Consultants' Services

Part A: General

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

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for Activities under Part C of paragraph 1.2 of the Annex that are estimated to cost less than US\$10,000 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.

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

1. Selection Planning

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

2. Prior Review

With respect to each contract for the employment of individual consultants estimated to cost the equivalent of US\$10,000 or more per contract, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

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

Attachment II

Special Account

1. For the purposes of this Attachment:

(a) the term "eligible Categories" means the Categories (1) through (3) set forth in the table in paragraph 4.2 of the Annex to this Letter Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of paragraph 4.2 of the Annex to this Letter Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to US\$95,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Attachment.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Attachment.

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

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

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Attachment for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Bank from the Grant Account under the eligible items, and in the

respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in paragraph 5.1 (b) (ii) of the Annex to this Letter Agreement, any of the audit reports required to be furnished to the Bank pursuant to said paragraph in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of paragraph 6.1 of the Annex to this Letter Agreement; or

(d) once the total unwithdrawn amount of the Grant shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

