

CONFORMED COPY

CREDIT NUMBER 2655 CHA

Development Credit Agreement

(Comprehensive Maternal and Child Health Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 8, 1994

CREDIT NUMBER 2655 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 8, 1994, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Allocated Amount" means an amount of the Credit allocated by the Borrower to a Participating Province and to be utilized by said Participating Province for purposes of carrying out a Maternal and Child Health Program.

(b) "FLO" means the Foreign Loan Office within the MOPH.

(c) "Maternal and Child Health Program" means one or more programs under Parts A, B and/or C of the Project, which satisfies the requirements set forth or referred to in Part C of Schedule 4 to this Agreement, and which is to be carried out by a Participating Province utilizing the proceeds of an Allocated Amount.

(d) "Maternal and Child Health Program Implementation Arrangements" means the Project Implementation Provisions and the commitment letters provided by the Participating Provinces, all in accordance with paragraph C.5 of Schedule 4 to this Agreement.

(e) "MOPH" means the Borrower's Ministry of Public Health.

(f) "Participating Province" means a province of the Borrower, selected by agreement between the Borrower and the Association on the basis of its high infant and maternal mortality rates and low rural per-capita incomes, and to which the Borrower proposes to allocate or has allocated an Allocated Amount.

(g) "Project Coordination Group" means the working group established in MOPH to assist in the carrying out of project coordination activities in accordance with paragraph A.1(b) of Schedule 4 to this Agreement.

(h) "Project Implementation Provisions" means the provisions for the implementation of Maternal and Child Health Programs set forth in Schedule 6 to this Agreement.

(i) "Project Leading Group" means the group established in accordance with paragraph A.1(a) of Schedule 4 to this Agreement.

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

(k) "Yuan" means the currency unit of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to sixty-one million nine hundred thousand Special Drawing Rights (SDR 61,900,000).

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

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

Section 2.03. The Closing Date shall be June 30, 2001 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 2005 and ending October 1, 2029. Each installment to and including the installment payable on October 1, 2014 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the

Project as set forth in Schedule 2 to this Agreement, and, to this end shall carry out Part D of the Project and shall cause the Participating Provinces to carry out Parts A, B and C thereof, all with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, technical and health care practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required therefor, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of said Parts A, B and C by the Participating Provinces.

(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 Project or cause the Project to be carried out in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

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

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal

controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) Any of the Participating Provinces shall have failed to perform any of its obligations under the Maternal and Child Health Program Implementation Arrangements to which it is a party.

(b) As a result of events which have occurred after the date of the Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that a Participating Province will be able to perform its obligations under the Maternal and Child Health Program Implementation Arrangements to which it is a party.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower's State Council shall have approved the Development Credit Agreement; and

(b) that at least four Participating Provinces shall have provided their written commitment to the Project Implementation Provisions in accordance with paragraph C.5 of Schedule 4 to 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 each of the written commitments referred to in Section 6.01(b) of this Agreement has been duly authorized by the respective Participating Province and is legally binding upon said Participating 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
People's Republic of China

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

PEOPLE'S REPUBLIC OF CHINA

By /s/ Jiechi Yang

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kaji

Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Equipment, materials and medical vehicles	16,500,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 40% of local expenditures for other items procured locally

(2)	Civil works	3,450,000	30%
(3)	Consultants' services:		100%
	(a) for operational research studies under Part C(3) of the Project	680,000	
	(b) other services	1,560,000	
(4)	Training:		
	(a) overseas training	520,000	100%
	(b) other training	16,500,000	90%
(5)	Incremental recurrent expenditures	19,930,000	65%
(6)	Unallocated	2,760,000	
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	TOTAL	61,900,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(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 "incremental recurrent expenditures" means medical and other supplies, allowances for non-government employees, transportation, accommodation and meals required for Project implementation.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 5,500,000 may be made in respect of Categories (3), (4) and (5) on account of payments made for expenditures before that date but after March 1, 1994.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under (a) contracts for goods or works costing less than \$300,000 equivalent, (b) contracts for training, regardless of the cost thereof, (c) contracts for the employment of consulting firms costing less than \$100,000 equivalent, (d) contracts for the employment of individual consultants costing less than \$50,000, and (e) incremental recurrent expenditures, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in reducing maternal and child morbidity and mortality in the poorest regions of the Borrower's territory through (1) improving the quality and effectiveness of maternal and child care services, (2) increasing the accessibility, affordability and utilization of such services and (3) strengthening the planning, financing and management of such services.

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: Basic Health Care Delivery

Development and carrying out, in each of the Participating Provinces, of programs designed to improve the quality and effectiveness of maternal and child health care services provided at village, township and county levels, including the following:

- (1) primary, referral-level and emergency maternal health care programs;
- (2) child health care programs, including programs for the management of common perinatal problems, acute respiratory infections and diarrheal diseases and childhood immunization and nutrition programs;
- (3) programs to control neonatal tetanus, including immunization of reproductive-age women against tetanus toxoid;
- (4) health education programs, including promotion of breast-feeding and appropriate weaning practices; and
- (5) rehabilitation of facilities and provision of equipment, materials and supplies required for the carrying out of the programs referred to in Sections (1) through (4) of this Part.

Part B: Training of Health Workers

Development and carrying out, in each of the Participating Provinces, of programs designed to strengthen the technical capabilities of staff involved in the delivery of maternal and child health care, including the following:

- (1) in-service training programs for health care workers in basic maternal and child health care and in clinical care, including in-patient and emergency care;
- (2) reproduction and distribution of clinical protocols prepared under Part D of the Project, preparation and provision of instructional and assessment materials; and
- (3) rehabilitation and expansion of training facilities and provision of materials, supplies and equipment required for Sections (1) and (2) of this Part.

Part C: Health Care Management

Development and carrying out, in each of the Participating Provinces, of programs designed to strengthen institutional capabilities in respect of management of maternal and child health care services, consisting of the following:

- (1) health care management training programs in the areas of planning, coordination, resource allocation, financial planning and management information systems.
- (2) programs to improve the planning, supervision and monitoring of the delivery of maternal and child health care services, including further development of management information systems;
- (3) programs of operational research studies in the areas of epidemiology, health care services utilization and health financing; and
- (4) construction of administrative facilities and provision of equipment, vehicles and materials required for the management of maternal and child health care services.

Part D: National-level Programs

Carrying out, through MOPH, of the following activities:

- (1) coordination, management and supervision of the overall carrying out of the Project;

(2) preparation, in consultation with the Participating Provinces, of clinical protocols covering preventive and curative care, instructional and assessment materials, and development and carrying out of training programs for trainers, all as required to facilitate the carrying out of Part B of the Project;

(3) assistance to the Participating Provinces in design and implementation of Part C of the Project;

(4) carrying out of a study designed to improve the functional coordination of providers of maternal and child health care services throughout the Borrower's territory and other studies, as may be warranted, in order to further the objectives of the Project;

(5) preparation of a manual for the management of the Project and appraisal of Maternal and Child Health Programs; and

(6) dissemination of the experiences learned under the Project throughout the Borrower's territory.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1(a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

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

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

Local Competitive Bidding Procedures

1. Except as provided in Parts C.3 and C.5 hereof, civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Association.
2. Goods estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$15,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Association.

Shopping

3. Goods estimated to cost less than the equivalent of \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$5,000,000, and works estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$14,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Direct Contracting

4. Goods which (a) are of a proprietary nature or (b) must be standardized in order to be compatible with existing equipment, may, with the Association's prior approval, be procured under contracts awarded after direct negotiations with the suppliers thereof, on terms and conditions acceptable to the Association.

Force Account

5. Small, scattered works estimated to cost less than the equivalent of \$25,000 per assignment, up to an aggregate amount not to exceed \$1,000,000, may be carried out under force account by the use of the personnel and equipment of the Participating Province concerned, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and each contract for works estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association; and (B) who shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such consultants shall be employed under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms agreed with the Association shall be used.

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

SCHEDULE 4

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.02 of this Agreement.

A. Project Management

1. In order to ensure the proper carrying out of the Project, the Borrower shall maintain throughout the period of Project implementation with membership, terms of reference and resources acceptable to the Association:

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

(b) a Project coordination group, chaired by the Director of FLO, with the Director of MOPH's Maternal and Child Health Department as deputy, to be responsible for the planning and carrying out of Part D of the Project.

2. The Borrower shall establish not later than January 31, 1995 and thereafter maintain throughout the period of Project implementation with terms of reference, staffing, and other resources acceptable to the Association, a technical unit to assist the Project Coordination Group in the carrying out of Part D of the Project.

3. The Borrower shall maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, progress in the carrying out of the Project, as well as the impact of the Project on maternal and child health in the Participating Provinces.

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

(a) a report on the monitoring and evaluation activities carried out by the Borrower pursuant to paragraph A.3 above, and by each Participating Province pursuant to paragraph B.4 of Schedule 6 to this Agreement, together with any proposed measures,

indicated by said monitoring and evaluation activities, to further the objectives of the Project, covering the six months ending December 31 in each year, by the following April 1 and the six months ending June 30 in each year, by October 1; and

(b) a mid-term report on such monitoring and evaluation activities carried out by the Borrower and each Participating Province, from the inception of the Project, together with any proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of the Project, not later than June 30, 1997.

5. The Borrower shall exchange views with the Association on each report furnished and measures proposed under paragraph 4 above, and thereafter, take all such measures to further the objectives of the Project as shall have been agreed between the Borrower and the Association.

B. Studies under Part D(4) of the Project

1. In order to assist the Borrower in carrying out the study, referred to in Part D(4) of the Project, to improve the functional coordination of providers of maternal and child health care services, the Borrower shall:

(a) not later than March 31, 1995, employ consultants, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) ensure that said study shall be completed and furnished to the Association, together with the recommendations based thereon and a time-bound action plan for the implementation of said recommendations, not later than March 31, 1996; and

(c) afford the Association a reasonable opportunity to exchange views with the Borrower on said study, recommendations and action plan, and thereafter, promptly carry out said recommendations in accordance with said action plan, taking into account the Association's comments thereon.

2. With respect to each study (other than the study referred to in paragraph B.1 above), which the Borrower proposes to carry out under Part D(4) of the Project, the Borrower shall:

(a) prepare and furnish to the Association for approval a proposal, including terms of reference, of such scope and in such detail as the Association shall reasonably request, for such study; and

(b) ensure that such study shall be carried out only in accordance with such proposal and under such terms of reference as shall have been approved by the Association.

C. Maternal and Child Health Programs

1. A program referred to in Part A, B or C of the Project to be carried out by a Participating Province shall qualify as a Maternal and Child Health Program eligible for financing out of the proceeds of the Credit only if:

(a) the Participating Province shall have demonstrated to the satisfaction of the Borrower, through MOPH, on the basis of an appraisal, carried out in accordance with guidelines satisfactory to the Association, that the requirements set out in paragraphs C.2-C.5 below have been met; and

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

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

3. The Participating Province shall have the organization, management and resources required for the proper carrying out of the proposed program, and to this end, has established the provincial and county-level project leading groups, technical advisory

groups and project offices in accordance with paragraph B.2 of Schedule 6 to this Agreement.

4. The Participating Province shall have prepared a detailed time-bound action plan for the implementation of the proposed program.

5. Upon notification by the Association of its approval of a Maternal and Child Health Program under paragraph C.1(b) above, the Borrower shall transmit the Project Implementation Provisions to the Participating Province and obtain its written commitment.

6. The Borrower shall:

(a) cause each Participating Province to perform, in accordance with the provisions of the Maternal and Child Health Program Implementation Arrangements to which said Participating Province is a party, all of the obligations of said Participating Province therein set forth;

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

(c) not take or permit to be taken any action which would prevent or interfere with such performance.

7. The Borrower shall exercise its rights under each of the Maternal and Child Health Program Implementation Arrangements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate, or waive said Maternal and Child Health Program Implementation Arrangements or any provision thereof.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$6,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$12,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit

Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

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

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

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

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

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

be.

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

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

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

SCHEDULE 6

Project Implementation Provisions

A. Financial Provisions

1. The principal amount of the Allocated Amount which shall be recovered from the Participating Province:

(a) shall be the equivalent in Dollars (determined on the date or respective dates of withdrawal from the Credit Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out, on account of the cost of goods and services for the Maternal and Child Health Program to be financed out of the proceeds of the Credit;

(b) shall be recovered over a period of not less than 20 years, inclusive of a grace period of 5 years; and

(c) shall accrue interest on the principal amount withdrawn and remaining unrecovered from time to time, at a rate less than or equal to one and one-tenth percent (1.1%) per annum.

2. The Participating Province shall make available to each of its counties in which the Maternal and Child Health Program will be carried out part of the proceeds of said Allocated Amount either:

(a) on a grant basis; or

(b) on other terms whereby:

(i) the amount so made available which shall be recovered from said county shall not exceed the equivalent in Yuan (determined on the date or respective dates of withdrawal from the Credit Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out, on account of the cost of goods and services for the part of the Maternal and Child Health Program to be carried out in said county and to be financed out of the proceeds of the Credit;

(ii) the principal amount so made available shall be recovered over a period of not less than 20 years, inclusive of a grace period of not less than 5 years; and

(iii) interest, if any, shall be charged on the principal amount so made available and withdrawn and remaining unrecovered from time to time, at a rate which shall not exceed one and one-tenth percent (1.1%) per annum.

3. The Participating Province shall establish and at all times maintain, under arrangements and in accordance with a time schedule, both acceptable to the Association, a poverty relief fund designed to cover the costs of providing essential obstetric and pediatric services to poorest families in the Participating Province and

thereby provide said families access to such services on a fully or partially subsidized basis.

4. The Participating Province shall:

(a) maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Maternal and Child Health Program of the departments or agencies of the Participating Province responsible for carrying out the Maternal and Child Health Program or any part thereof;

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

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

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

B. Project Management

1. The Participating Province shall carry out the Maternal and Child Health Program with due diligence and efficiency, and in conformity with appropriate economic, financial, administrative, technical and public health practices, and provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required therefor.

2. (a) The Participating Province shall maintain or cause to be maintained throughout the period of implementation of the Maternal and Child Health Program, with membership and/or staffing (as the case may be), terms of reference and resources satisfactory to the Association, the following bodies:

(i) a provincial project leading group, chaired by a Vice Governor of said Participating Province, to be responsible for overall coordination and oversight of the carrying out of the program and for liaising with the Project Leading Group;

(ii) a provincial project office, headed by a director, to be responsible for the planning and carrying out of said program and liaising with the Project Coordination Group; and

(iii) a technical advisory group, to provide advice on technical aspects of Project implementation to such provincial project leading group and provincial project office.

(b) The Participating Province shall have caused each of its counties in which the Maternal and Child Health Program is to be carried out to establish, with membership and/or staffing (as the case may be), terms of reference and resources, satisfactory to the Association, the following bodies:

(i) a leading group, chaired by the head or deputy head of the county government, to be responsible for overall coordination and oversight of the activities of said program to be carried out within said county;

(ii) a technical leading group to be responsible for coordination of the technical aspects of said activities; and

(iii) a project office, headed by a project management officer and assisted by a training officer, to be responsible for the supervision of said activities.

3. The Participating Province shall maintain records and procedures adequate to record and monitor the progress of the Maternal and Child Health Program (including the cost and benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Credit and to disclose their use in the Maternal and Child Health Program, and furnish to the Association all such information as the Association shall reasonably request concerning the Maternal and Child Health Program, its cost, and, where appropriate, the benefits to be derived from it, the expenditures of the proceeds of the Allocated Amount and the goods, works and services financed out of such proceeds.

4. The Participating Province shall maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, progress in the carrying out of the Maternal and Child Health Program, as well as the impact thereof on maternal and child health in the Participating Province.

5. Without limitation upon the provisions of paragraph B.3 above, the Participating Province shall prepare, in accordance with guidelines acceptable to the Association, and furnish to Borrower, the following reports:

(a) a report on the monitoring and evaluation activities carried out by the Participating Province pursuant to paragraph B.4 above, together with any proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of said Maternal and Child Health Program, covering the six months ending December 31 in each year, by the following March 15 and the six months ending June 30 in each year, by September 15, for consolidation in each report to be furnished to the Association by the Borrower (pursuant to the provisions of Part A.4(a) of Schedule 4 to this Agreement); and

(b) a mid-term report on such monitoring and evaluation activities carried out by the Participating Province from the inception of the Project, together with any proposed measures, indicated by said monitoring and evaluation activities, to further the objectives of the Project, not later than April 30, 1997, for consolidation in the report to be furnished to the Association by the Borrower (pursuant to paragraph B.4(b) of Schedule 4 to this Agreement).

6. The Participating Province shall exchange views with the Borrower and the Association on each report furnished and measures proposed under paragraph B.5 above, and thereafter, take all such measures to further the objectives of the Project as shall have been agreed among the Borrower, the Association and the Participating Province.

7. The Participating Province shall prepare and furnish to the Association for approval a proposal, including terms of reference, of such scope and in such detail as the Association shall reasonably request, for each study which it proposes to carry out under the Maternal and Child Health Program, and ensure that each such study shall be carried out only in accordance with such proposal and under such terms of reference as shall have been approved by the Association.

C. General Provisions

1. The Participating Province shall:

(a) procure the goods, works and services required for the Maternal and Child Health Program to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 3 of the Development Credit Agreement;

(b) insure said goods against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by said Participating Province to replace or repair such goods; and

(c) utilize such goods, works and services exclusively for the purposes of carrying out the Maternal and Child Health Program.

2. The Participating Province shall:

(a) furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Maternal and Child Health Program, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request; and

(b) enable the Association and the Borrower to examine such goods and all facilities, sites and works included in the Maternal and Child Health Program, the operation thereof, and any relevant records and documents.

3. The Participating Province shall:

(a) at the request of the Association, exchange views with the Association with regard to the progress of the Maternal and Child Health Program, the performance of its obligations under the Maternal and Child Health Program Implementation Arrangements and other matters relating to the purposes of the Credit; and

(b) promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Maternal and Child Health Program, the accomplishment of the purposes of the Credit, or the performance by the Participating Province of its obligations under the Maternal and Child Health Program Implementation Arrangements.

4. The Participating Province shall at all times operate and maintain any facilities relevant to the Maternal and Child Health Program, and promptly as needed, make all necessary repairs and renewals thereof.

