

CONFORMED COPY

CREDIT NUMBER 2391 CHA

(Ship Waste Disposal Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 2, 1992

CREDIT NUMBER 2391 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 2, 1992, 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) by an agreement of even date herewith the International Bank for Reconstruction and Development acting as Trustee (Trustee) of the Global Environment Trust Fund (GET), has agreed to make a grant (the GET Grant), to the Borrower (as such the Recipient) in an amount equivalent to twenty two million Special Drawing Rights (SDR 22,000,000) to assist in financing part of the Project on the terms and conditions set forth in the GET Grant Agreement (as hereinafter defined);

(C) the Borrower and the Association intend, to the extent practicable and deemed expedient by the Association, that the proceeds of the GET Grant provided for in the GET Grant Agreement be disbursed on account of expenditures in respect of the Project before disbursement of the proceeds of the Credit provided for in the

Development Credit Agreement;

(D) Part A of the Project will be carried out by the Borrower and Part B of the Project will be carried out by the Port Authorities (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to each of the Port Authorities a portion of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith among the Association, the Trustee and the Port Authorities.

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) "BOMTA" means the Guangzhou Bureau of Maritime Transport Administration, an agency of the Borrower and any successor thereto;

(b) "Charters" means each of the charters for DPA, GPA, NPA, SPA, TPA and XPA, and "Charter" means any of the charters;

(c) "DPA" means Dalian Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, issued on August 3, 1987;

(d) "DPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DPA, pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(e) "GET Grant Account" means the account opened by the Trustee on its books in the name of the Recipient to which the amount of the GET Grant is credited;

(f) "GET Grant Agreement" means the agreement of even date herewith between the Borrower/Recipient and the International Bank for Reconstruction and Development acting as a Trustee of the Global Environment Trust Fund as such agreement may be amended from time to time;

(g) "GPA" means Guangzhou Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, issued on August 25, 1988;

(h) "GPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and GPA, pursuant to Section 3.02 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(i) "MOC" means the Borrower's Ministry of Communications and any successor thereto;

(j) "NPA" means Ningbo Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, issued on August 21, 1988;

(k) "NPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NPA, pursuant to Section 3.02 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(l) "Port Authorities" means DPA, GPA, NPA, SPA, TPA and XPA, and "Port Authority" means any of the Port Authorities;

(m) "Project Agreement" means the agreement among the Association, the International Bank for Reconstruction and Development acting as trustee of the Global Environment Trust Fund, and the Port Authorities, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(n) "SPA" means Shanghai Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, issued on August 21, 1988;

(o) "SPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SPA, pursuant to Section 3.02 (d) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

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

(q) "Subsidiary Loan Agreements" means the agreements referred to in paragraphs (d), (h), (k), (o), (s) and (u) of this Section, and "Subsidiary Loan Agreement" means any of those agreements;

(r) "TPA" means Tianjin Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, issued on March 29, 1986;

(s) "TPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and TPA, pursuant to Section 3.02 (e) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(t) "XPA" means Xiamen Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, issued on October 22, 1987; and

(u) "XPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and XPA, pursuant to Section 3.02 (f) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement.

## 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 eleven million Special Drawing Rights (SDR 11,000,000).

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

(b) The Borrower shall, 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, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 2002 and ending June 1, 2027. Each installment to and including the installment payable on June 1, 2012 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 objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A of the Project, through MOC, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause each of the Port Authorities to perform in accordance with the provisions of the Project Agreement all the obligations of each Port Authority therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each of the Port Authorities to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without any limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Borrower shall relend six hundred and twenty thousand Special Drawing Rights (SDR 620,000) out of the proceeds of the Credit to DPA under a subsidiary loan agreement to be entered into between the Borrower and DPA, under terms and conditions acceptable to the Association including those specified in paragraph (g) of this Section.

(b) The Borrower shall relend one million six hundred fifty thousand Special Drawing Rights (SDR 1,650,000) out of the proceeds of the Credit to GPA under a subsidiary loan agreement to be entered into between the Borrower and GPA, under terms and conditions acceptable to the Association including those specified in paragraph (g) of this Section.

(c) The Borrower shall relend one million four hundred fifty thousand Special Drawing Rights (SDR 1,450,000) out of the proceeds of the Credit to NPA under a subsidiary loan agreement to be entered into between the Borrower and NPA, under terms and conditions acceptable to the Association including those specified in paragraph (g) of this Section.

(d) The Borrower shall relend four million one hundred forty thousand Special Drawing Rights (SDR 4,140,000) out of the proceeds of the Credit to SPA under a subsidiary loan agreement to be entered into between the Borrower and SPA, under terms and conditions acceptable to the Association including those specified in paragraph (g) of this Section.

(e) The Borrower shall relend one million six hundred thirty thousand Special Drawing Rights (SDR 1,630,000) out of the proceeds of the Credit to TPA under a subsidiary loan agreement to be entered into between the Borrower and TPA, under terms and conditions acceptable to the Association including those specified in paragraph (g) of this Section.

(f) The Borrower shall relend one million ninety thousand Special Drawing Rights (SDR 1,090,000) out of the proceeds of the Credit to XPA under a subsidiary loan agreement to be entered into between the Borrower and XPA, under terms and conditions acceptable to the Association including those specified in paragraph (g) of this Section.

(g) Each of the Subsidiary Loans shall be repaid over a period of 15 years, including five years of grace, and accrue interest at a rate of 1.5% per annum. The commitment fee and foreign exchange risk shall be borne by the Port Authorities.

(h) The Borrower shall exercise its rights under each of the Subsidiary Loan Agreements 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 any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.03. 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 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) for Part B of the Project, shall be carried out by the Port Authorities pursuant to Section 2.03 of the Project 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 Part A 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 and 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 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 (h) of the General Conditions, the following additional events are specified:

(a) Any of the Port Authorities shall have failed to perform any of its obligations under the Project Agreement.

(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 of the Port Authorities will be able to perform its obligations under the Project Agreement.

(c) Any of the Charters shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the respective Port Authority to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Port Authorities or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of the GET Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the GET Grant Agreement;

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 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; and

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

## 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 has approved the Development Credit Agreement;

(b) each of the Subsidiary Loan Agreements has been executed on behalf of the Borrower and the respective Port Authority; and

(c) all conditions precedent to the effectiveness of the GET Grant Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by each of the Port Authorities, and is legally binding upon each of the Port Authorities in accordance with its terms; and

(b) that each of the Subsidiary Loan Agreements has been duly authorized or ratified by the Borrower and the respective Port Authority and is legally binding upon the Borrower and such Port Authority 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 Republic of China

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFRC 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/ Zhu Qizhen

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 and GET Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the GET Grant, the allocation of the amounts of the Credit and of the GET Grant 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)	Amount of the GET Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	1,000,000	1,500,000	27%
(2) Goods	10,000,000	20,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 75% of local expen- ditures for other items procured locally
(3) Consultants' services and training	-----	500,000	100%
TOTAL	<u>11,000,000</u> =====	<u>22,000,000</u> =====	

2. The proceeds of the GET Grant will, to the extent practicable and deemed expedient by the Association, be disbursed on account of expenditures in respect of the Project before disbursement of the proceeds of the Credit.

3. 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; and

(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.

4. 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.

SCHEDULE 2

## Description of the Project

The objective of the Project is to assist the Borrower and the Port Authorities in reducing pollution of international and Chinese territorial waters.

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:

1. Provision and operation of a port-to-port ship waste tracking system between the Port Authorities.
2. Preparation of an oil spill contingency plan for each of the Port Authorities.
3. Undertaking a study to assess and develop a treatment system for contaminated water.
4. Establishing and introducing a costing and tariff system for waste reception and disposal services.
5. Provision of consultants' services and training in connection with or related to activities under the Project.
6. Preparation of terms of reference for a study of the Yellow Sea marine ecosystem.
7. Promoting coordination between the Port Authorities and various agencies and departments of the Borrower concerned with environmental monitoring.

### Part B:

1. Provision or development of waste reception and disposal or treatment facilities including supply of equipment and machinery to each of the Port Authorities to enable them to dispose of, in an environmentally sound manner, oil-contaminated waters, chemically-contaminated waters, sanitary sewage, garbage and solid wastes.
2. Establishing or upgrading of environmental monitoring and enforcement capabilities of each of the Port Authorities.

\* \* \*

The Project is expected to be completed by June 30, 1995.

## SCHEDULE 3

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

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 1985 (the Guidelines).

##### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in 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

1. Items or groups of items of goods, estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount not to exceed \$2,000,000, may be procured under contracts awarded on the basis of evaluation and comparison of quotations obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures acceptable to the Association.

2. Except as provided in paragraph (3) hereof, civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Civil works, estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount not to exceed \$2,000,000, may be procured under contracts awarded on the basis of evaluation and comparison of bids obtained from at least three qualified contractors eligible under the Guidelines and 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 under Part A hereof, 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 the Association has authorized withdrawals 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

In order to assist in carrying out the Project, the Borrower shall employ and cause the Port Authorities to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants 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.

SCHEDULE 4

Implementation Program for Part A of the Project

1. The Borrower shall, in cooperation with each of the Port Authorities, establish, by December 31, 1992, a coordinating team with functions and responsibilities and comprising members from such departments and agencies of the Borrower and the relevant Port Authority as agreed by the Association, for the purpose of monitoring activities under the Project.

2. The Borrower shall by December 31, 1992, prepare, in consultation with the

Association, the terms of reference, including program design for a study of the Yellow Sea marine ecosystem under Part A.6 of the Project.

3. The Borrower shall: (a) by December 31, 1993, undertake and complete a study, in accordance with terms of reference agreed with the Association, to assess and develop a treatment system for chemically contaminated water under Part A.3 of the Project; and (b) thereafter implement the recommendations made therein in consultation with the Association.

4. The Borrower shall, with the assistance of the Port Authorities: (a) prepare a costing and tariff system for waste reception and disposal services under Part A.4 of the Project, on the basis of terms of reference agreed with the Association; (b) by June 30, 1994, submit the same to the Association for their comments; and (c) by June 30, 1995 introduce the said system in each of the Port Authorities taking into account the comments of the Association.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit 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 or the GET Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

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

2. Except as the Association shall otherwise agree, 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 said Special Account shall be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the GET Grant Account and deposit into said Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account or the GET Grant Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account or from the GET Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made exclusively for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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 the Development Credit Agreement, or from the GET Grant Account in accordance with the provisions of Section 2.02 of the GET Grant Agreement and Article V of the General Conditions applicable thereto; and

(ii) the total unwithdrawn amount of the Credit and of the GET Grant allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Association or the Trustee pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account and the GET Grant Account of the remaining unwithdrawn amount of the Credit and the GET Grant 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 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. No further deposit by the Association into said Special Account shall be made until the Borrower has made such deposit or refund.

(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 or the Trustee such outstanding amount for crediting to the Credit Account or to the GET Grant Account, as the case may be.

(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 or to the GET Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

[Redacted]