

CONFORMED COPY

LOAN NUMBER 3582 CHA

(Southern Jiangsu Environmental Protection Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

JIANGSU PROVINCE

Dated March 23, 1994

LOAN NUMBER 3582 CHA

PROJECT AGREEMENT

AGREEMENT, dated March 23, 1994, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and JIANGSU PROVINCE (Jiangsu Province).

WHEREAS: by the Loan Agreement of even date herewith between People's Republic of China (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to two hundred fifty million dollars (\$250,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Jiangsu Province agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Jiangsu Province, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and Jiangsu Province shall otherwise agree:

(i) Jiangsu Province shall carry out Parts B, C and D of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement; and

(ii) Jiangsu Province shall carry out Part A of the Project in accordance with Schedule 3 to this Agreement.

(c) Jiangsu Province shall re-lend the respective portions of the proceeds of the Loan to the Project Municipalities on the following principal terms and conditions:

(i) repayment over a period not exceeding eighteen years, including five years of grace;

(ii) interest to be paid by the Project Municipalities at a rate not less than eighty-five percent (85%) of the rate calculated in accordance with Section 2.05 (a) of the Loan Agreement;

(iii) the Project Municipalities to bear the foreign exchange risk between the Renminbi and the Bank's currency pool; and

(iv) commitment charges to be paid by the Project Municipalities at the rate stated in Section 2.04 of the Loan Agreement.

Section 2.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 1 to this Agreement.

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

Section 2.04. (a) Jiangsu Province shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) Jiangsu Province shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by Jiangsu Province of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Jiangsu Province shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of Jiangsu Province and the Project Municipalities responsible for carrying out the Project or any part thereof.

(b) Jiangsu Province shall:

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

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

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

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Jiangsu Province thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Jiangsu Province thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA),
82987 (FTCC),

64145 (WUI) or
197688 (TRT)

For Jiangsu Province:

Finance Bureau of Jiangsu Province
68 West Beijing Road
Nanjing 210024
Jiangsu Province
People's Republic of China

Telex:

342250 FBOJP CN

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Jiangsu Province may be taken or executed by Vice Governor or such other person or persons as Vice Governor shall designate in writing, and Jiangsu Province shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Callisto Madavo

Regional Vice President
East Asia and Pacific

JIANGSU PROVINCE

By /s/ Li Daoyu

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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). For the fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid

price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. Bidders for works estimated to cost more than the equivalent of \$5,000,000 shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts shall be grouped into bid packages estimated to cost the equivalent of \$7,000,000 or more in the case of works and \$200,000 or more in the case of goods.

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 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, China may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Works for Part B of the Project, other than the submarine pipeline and related works under Part B.3 of the Project, estimated to cost the equivalent of \$7,000,000 or less per contract, and items or groups of items of goods under Parts B, C and D of the Project estimated to cost the equivalent of \$200,000 or less and more than \$100,000, up to an aggregate amount equivalent to \$2,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items or groups of items of goods under Parts B, C and D of the Project estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$6,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least two suppliers, where applicable from at least three different countries, eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Items or groups of items for goods under Sub-loans estimated to cost the equivalent of \$5,000,000 or less per contract but more than \$200,000 per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Items or groups of items for goods under Sub-loans estimated to cost the equivalent of \$200,000 or less per contract, 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 Bank.

Part E: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract under Part A.1 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 Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank 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 Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

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

3. 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 Jiangsu Province in carrying out the Project, Jiangsu Province shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank 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 2

Implementation Program

Part A: Waste Management

1. Jiangsu Province shall cause each of the Project Municipalities of Changzhou, Wuxi and Zhenjiang enter into a subsidiary loan agreement with its Sewerage Company, and shall cause Wuxi to enter into a subsidiary loan agreement with the Wuxi Hazardous Material Company on terms and conditions satisfactory to the Bank, which shall include:

(a) each of the Sewerage Companies shall carry out its respective portions of Part B of the Project, and the Wuxi Hazardous Material Company shall carry out its respective portion of Part of the Project with due diligence and efficiency, and in conformity with appropriate industrial and environmental practices;

(b) the proceeds of the Loan allocated to the respective portion of the Project shall be relented to each Company on the following principal terms and conditions:

(i) repayment over a period not exceeding fifteen years, including five years of grace;

(ii) interest to be paid by the Company at the variable rate calculated in accordance with Section 2.05 (a) of the Loan Agreement;

(iii) the Company to bear the foreign exchange risk between the Renminbi Bank's currency pool; and

(iv) commitment charges to be paid by the Company at the rate stated in Section 2.04 of the Loan Agreement;

(c) the financial covenants set forth in paragraphs A.2 and A.3 below;

(d) each of the Sewerage Companies shall undertake a study of its tariffs under Part B.4 of the Project, in accordance with terms of reference agreed with the Bank, and furnish such study to the Bank for review, by June 30, 1995; and

(e) the Wuxi Hazardous Material Company shall undertake the study of its tariffs under Part C.3 of the Project, in accordance with terms of reference agreed with the Bank, and furnish the study to the Bank for review by June 30, 1995.

2. (a) Except as the Bank shall otherwise agree, each Company shall from time to time take, or cause to be taken, all such measures (including, without limitation, adjustments of the levels of its tariffs as determined by the respective Project Municipality) as shall be required to produce total operating revenues equivalent to not less than the sum of: (i) its total operating expenses; and (ii) the amount by which its financial obligations exceed the provision for depreciation and any other non-cash operating expenses.

(b) Except as the Bank shall otherwise agree, each Company shall from time to time take, or cause to be taken, all such measures (including, without limitation, adjustments of level of its tariffs, refraining from incurring debt, or reducing debt) in order to ensure that the internal cash generation of such Company for each fiscal year shall be at least 1.2 times.

(c) Except as the Bank shall otherwise agree, no Company shall incur any debt if, after the incurrence of such debt, the ratio of total liabilities to equity shall be greater than 70 to 30.

(d) Except as the Bank shall otherwise agree, each Company shall take all such measures (including, without limitation, adjustments of levels of its tariffs as determined by the respective Project Municipality and improvements in operational efficiency) as shall be required to produce net cash surplus equivalent to not less than: (i) fifteen percent (15%) of its average annual investment program in 1997; and (ii) twenty percent (20%) thereafter.

(e) For the purposes of this paragraph 2:

(i) The term "total operating revenues" means the sum of revenues from all sources related to operations and net non-operating income.

(ii) The term "net non-operating income" means the difference between: (A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "total operating expenses" means the sum of all expenses related to operations, including maintenance, administration and depreciation.

(iv) The term "financial obligations" means interest and other charges on debt; repayment of loans (including sinking fund payments, if any); all taxes or payments in lieu of taxes; allocations to special funds and other cash distributions of surplus funds (including mandatory transfers to the Project Municipality); and any other cash outflows (other than capital expenditures) related to operations.

(v) The term "cash operating expenses" means the sum of expenses related to operations, including maintenance and administration but excluding depreciation.

(vi) The term "debt" means any indebtedness of a Company maturing by its terms more than one year after the date on which it is originally incurred.

(vii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract,

agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(viii) The term "internal cash generation" means the difference between:

and net (A) the sum of revenues from all sources related to operations non-operating income; and
administration, (B) the sum of all expenses related to operations including adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating expenses and interest and other charges on debt.

Company, (ix) The term "total liabilities" means all debt incurred by the regardless of maturity.

capital, (x) The term "equity" means the sum of the total unimpaired paid-up retained earnings and reserves of a Company not allocated to cover specific liabilities.

sum of: (A) (xi) The term "net cash surplus" means total operating income minus the cash operating expenses; and (B) financial obligations.

(A) the (xii) The term "average annual investment program" means the average of: previous year's actual capital expenditures; (B) the current year's planned capital expenditure; and (C) the next year's projected capital expenditure.

(xiii) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of Renminbi, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

3. (a) Each Company shall:

(i) by May 31 in each year, commencing May 31, 1994, prepare and furnish to the Bank for review a rolling long-term financial plan (including projected income statements, sources and uses of funds and balance sheets) for a period of no less than 8 years; and

(ii) thereafter, exchange views with the Bank on the financial position of the Company.

(b) Each Company shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and

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

4. Jiangsu Province shall cause the Project Municipalities of Changzhou, Wuxi and

Zhenjiang to:

(a) carry out the resettlement of people under each of their respective portions of Part B of the Project in a manner and according to a schedule which is satisfactory to the Bank; and

(b) report on the progress of carrying out the resettlement plan using monitoring indicators acceptable to the Bank.

5. Jiangsu Province shall cause the Project Municipalities of Changzhou, Wuxi and Zhenjiang, respectively, to:

(a) prepare and furnish to the Bank for comment draft operating rules for the municipal sewerage system; and

(b) by October 1, 1994, promulgate and thereafter, implement such rules taking into account the Bank's comments.

Part B: Hazardous and Toxic Waste and Materials Management

1. Jiangsu Province shall:

(a) prepare and furnish to the Bank, and cause Wuxi to prepare and furnish to the Bank, draft regulations and safety and operating rules for hazardous waste and material management for Jiangsu Province and Wuxi Municipality, respectively, including those for material storage and transport in Wuxi; and

(b) by October 1, 1994, promulgate and thereafter, implement such regulations and rules taking into account the Bank's comments.

Part C: Overall Project Management

1. Jiangsu Province shall:

(a) implement the environmental strategy and action plan agreed with the Bank for environmental management in Jiangsu Province south of the Yangtze River; and

(b) cause each of the Project Municipalities to implement the environmental strategy and action plan agreed with the Bank for environmental management in the respective Project Municipality.

2. Jiangsu Province shall maintain the Provincial Project Leading Group and the Provincial Project Management Office to direct and supervise the implementation of the Project and shall cause the Project Municipalities to maintain the Municipal Project Leading Groups and Municipal Project Management Offices, all with functions and responsibilities satisfactory to the Bank, and, for the Offices, staffed by competent staff in adequate numbers.

3. Jiangsu Province shall ensure that all training under Parts B, C and D of the Project shall be carried out in accordance with a program agreed with the Bank.

SCHEDULE 3

Procedures and Terms and Conditions for Sub-loans

Part A: Terms and conditions of Sub-Loans

Jiangsu Province shall ensure that the Project Municipalities extend Sub-loans to enterprises through CIB as financial agent on the following principal terms and conditions:

1. Sub-loans shall bear interest on the principal amount withdrawn and outstanding from time to time, at a rate not less than the variable rate calculated in accordance with Section 2.05 (a) of the Loan Agreement, plus a spread of one and one-half percent (1.5%).

2. Repayment periods for Large-scale Industrial Pollution Control Sub-loans shall not exceed eighteen years, including up to five years of grace. Repayment periods for Small-scale Industrial Pollution Control Sub-loans and TVIE Sub-loans shall not exceed seven years, including up to three years of grace.

3. Commitment charges shall be paid on the undisbursed balance of Sub-loans at the rate of three-quarters of one percent (0.75%) per annum.

4. Each Sub-borrower shall bear the foreign exchange risk on its Sub-loan between the Renminbi and the Bank's currency pool.

5. Criteria for economic appraisal of proposed Sub-projects shall include, inter alia, determination that all feasible pollution reduction options have been considered, that the sub-projects are the most cost-effective and that the closure of the Sub-borrower is not the most economic solution and that based on economic analysis, Sub-borrower has a positive net present value. Criteria for financial appraisal shall include a determination that the Sub-borrower is financially viable, as measured by a debt service ratio coverage of no less than 1.4 times after the Sub-project is completed and has reached full production capacity. Criteria for technical appraisal shall include an assessment of the impact of the proposed Sub-project on pollution prevention and reduction and compliance with national and local environmental regulations.

6. (a) CIB shall not disburse funds on any Sub-loan unless the Sub-borrower has completed an environmental impact assessment report for the Sub-project which has been approved by the responsible environmental protection bureau;

(b) CIB shall not disburse funds on any Sub-loan for a wastewater subproject unless the borrower has: (i) obtained a wastewater discharge permit for existing operations; and (ii) obtained a temporary wastewater discharge permit for new operations of the relevant Sub-project.

Part B: Implementation Arrangements

1. Jiangsu Province shall cause CIB, and shall cause the Project Municipalities to cause CIB, acting through its Jiangsu branch, to carry out the following under the Financial Agency Agreements:

(a) CIB shall act as financial agent for Part A of the Project and shall be responsible for appraisal, supervision, disbursement and collection of repayments under Sub-loans and the credit risk on Sub-loans shall be borne by the respective Project Municipality; and

(b) as part of its responsibility for appraisal, CIB shall implement the technical appraisal agreements with the Jiangsu Provincial Engineering Consulting Center, for Large-scale Industrial Pollution Control Sub-projects and with the Nanjing Environmental Research Institute, for Small-scale Industrial Pollution Control Sub-projects and TVIE Sub-projects, entered into on January 14, 1993 and shall obtain the approval of the Bank prior to making any additional arrangements for assistance in technical appraisal.

2. Jiangsu Province shall cause the Project Municipalities of Wuxi and Suzhou each to establish and operate a revolving fund for small-scale industrial pollution abatement projects and a revolving fund for township and village industrial enterprise projects in accordance with procedures satisfactory to the Bank.

Part C: Procedures for Processing Sub-Loans

1. Jiangsu Province shall ensure that the following procedures for processing Sub-loans are followed by the Project Municipalities and CIB:

(a) Prior to detailed appraisal of proposed Sub-projects, the environmental protection bureau of the relevant Project Municipality shall furnish to the Bank for its approval a statement of the eligibility of the Sub-project, including a quantification of the environmental

impact and a description of priority under the municipal environmental strategy and action plan.

(b) After detailed appraisal of proposed Sub-projects, CIB shall furnish to the Bank for its approval a full appraisal report of the first four Large-scale Industrial Pollution Control Sub-projects, the first four TVIE Sub-projects and all subsequent Sub-projects for which the aggregate amount of Sub-loans made to the Sub-borrower would exceed \$4,000,000, the foregoing amount being subject to change from time to time as determined by the Bank. CIB shall make the Sub-loan for such Sub-projects to the Sub-borrower only after the Bank shall have given its approval.

(c) For any other Sub-project, CIB shall furnish to the Bank a request for authorization to make withdrawals from the Loan Account, along with a summary of the Sub-project and the Sub-loan.

(d) For all Sub-projects, CIB shall furnish to the Bank all such information as it shall reasonably request concerning Sub-projects, Sub-borrowers and Sub-loans.

(e) No expenditures for goods or services required for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless the Bank shall have given its approval or authorization as required under paragraphs (b) and (c) above and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank received the appraisal report or Sub-project summary under said paragraphs (b) and (c).

2. Sub-loans shall be made on terms whereby CIB shall obtain, by written contract with the Sub-borrower or by other appropriate legal means, rights adequate to protect the interests of the Bank and CIB, including the right to:

(a) require the Sub-borrower to carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 1 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Sub-project; and (iii) technical assistance and training shall be carried out in accordance with terms of reference acceptable to the Bank and consultants shall be employed in accordance with Section II of Schedule 1 to this Agreement;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Sub-borrower shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Sub-borrower to replace or repair such goods;

(e) obtain all such information as the Bank or CIB shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Sub-borrower and to the benefits to be derived from the Sub-project; and

(f) suspend or terminate the right of the Sub-borrower to the use of the proceeds of the Loan upon failure by such Sub-borrower to perform its obligations under its contract with CIB.



