

CONFORMED COPY

CREDIT NUMBER 2182-0 CHA

(Fourth Rural Credit Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 10, 1990

CREDIT NUMBER 2182-0 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 10, 1990, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to seventy five million dollars (\$75,000,000) (the Loan);

(C) Parts A and B of the Project will be carried out by Agricultural Bank of China (ABC) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to ABC the proceeds of the Credit as provided in this Agreement and the proceeds of the Loan as provided in the Loan 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 Bank and ABC;

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, (the General Conditions) with the last sentence of Section 3.02 deleted, constitute an integral part of this Agreement.

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

(a) "ABC Documents" means the Circular of the Borrower's State Council on the Restoration of the Agricultural Bank of China, dated February 23, 1979 (State Council Document No. (1979) 56) and the Decision of the Borrower's State Council on the Exclusive Exercise of Central Bank Functions by the People's Bank of China, dated September 17, 1983 (State Council Document No. (1983) 146);

(b) "ABC" means the Agricultural Bank of China, a specialized banking institution established and operating under the laws of the Borrower including, inter alia, the ABC Documents;

(c) "Project Agreement" means the agreement among the Association, the Bank and ABC 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;

(d) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ABC pursuant to Section 3.01 (b) of this Agreement and Section 3.01 of the Loan Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(e) "Subsidiary Loan" means the subsidiary loan provided for in the Subsidiary Loan Agreement;

(f) "Project Entity" means the Provinces of Fujian, Guangdong, Hubei, Hunan, Jiangxi, Jilin, Liaoning and Shaanxi, the Autonomous Regions of Inner Mongolia and Guangxi Zhuang, Beijing Municipality and such other provinces, autonomous regions or municipalities in the territory of the Borrower as shall be approved by the Association and the Bank for participation in the Project; and "Project Entity" means any one of the Project Entities;

(g) "RCC" means a rural credit cooperative established and operating under the laws of the Borrower in a Project Entity, selected by ABC for participation in making Subloans under Part A of the Project, which has met the eligibility criteria set forth in paragraph 2 of Part C of Schedule 1 to the Project Agreement;

(h) "Subborrower" means an individual, individual or specialized household, collective, cooperative, township or village enterprise, state farm, state-owned or registered enterprise, or supply or marketing cooperative, or combinations thereof, in a Project Entity to which ABC proposes to make or has made a Subloan (hereinafter defined);

(i) "ABC Subloan" means a loan made, or proposed to be made, by ABC directly to a Subborrower for purposes of carrying out a Subproject (hereinafter defined) and utilizing the proceeds of the Credit;

(j) "RCC Subloan" means a loan made, or proposed to be made, by ABC through an RCC to a Subborrower for purposes of carrying out a Subproject (hereinafter defined) and utilizing the proceeds of the Credit;

(k) "Subloan" means an ABC Subloan or an RCC Subloan;

(l) "Free-limit Subloan" means a Subloan which qualifies as a free-limit Subloan pursuant to the provisions of Part A paragraph 1 (b) of Schedule 1 to the Project Agreement;

(m) "Subproject" means a rural development project as described in Part A of Schedule 2 to this Agreement, to be carried out by a Subborrower utilizing the proceeds of a Subloan;

(n) "Subloan Interest Rates" means the annual interest rates charged to Subborrowers referred to in paragraph 1 (b) of Part B of Schedule 1 to the Project Agreement;

(o) "Basel Agreement" means the Agreement for establishing minimum capital levels in banking, established by the Bank Committee on Banking Regulation and Supervision Practices, issued in 1988;

(p) "Renminbi" means the currency of the Borrower;

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

(r) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term include the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the 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 one hundred forty-three million seven hundred thousand Special Drawing Rights (SDR 143,700,000).

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 amounts paid or, if the Association shall so agree, amounts to be paid, by ABC:

(i) on account of withdrawals made by a Subborrower under a Subloan to meet the reasonable cost of goods and services required for a Subproject in respect of which the withdrawal from the Credit Account is requested; and

(ii) in respect of the reasonable cost of goods and services required for Part B of 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 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 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower and ABC 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 and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 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 semiannual installments payable on each May 15 and November 15 commencing November 15, 2000 and ending May 15, 2025. Each installment to and including the installment payable on May 15, 2010 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.

Section 2.09. ABC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Sections 2.02 and 4.01 of this Agreement, and Section 2.02 of the Loan Agreement and Article V of the General Conditions (as defined in this Agreement and the Loan Agreement).

### ARTICLE III

Execution of the Project;  
Use of Proceeds of the Credit

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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement and the Loan Agreement, shall: (i) cause ABC to perform in accordance with the provisions of the Project Agreement all the obligations of ABC therein set forth; (ii) take and cause to be taken all action, including the provision of foreign exchange and other funds, facilities, services and other resources, necessary or appropriate to enable ABC to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit to ABC under a subsidiary loan agreement to be entered into between the Borrower and ABC under terms and conditions which shall have been approved by the Association and which shall include:

(i) repayment of all amounts due and outstanding by ABC, in the currency onlent by the Borrower, within 15 years, including a grace period not to exceed 5 years, such principal amounts to be the amount of Renminbi onlent and the SDR equivalent of foreign exchange onlent;

(ii) payment of interest by ABC: (A) at a non-subsidized rate on all outstanding principal amounts onlent in Renminbi; and (B) at a rate not less than the prevailing IBRD Loan rate, or such other market-based rate as shall be acceptable to the Association, the Borrower and ABC, on all outstanding principal amounts onlent in foreign exchange;

(iii) for purposes of paragraph (ii) of this Section, the following terms shall have the following meanings: (A) "non-subsidized rate" means an interest rate, calculated in accordance with Schedule 4 to this Agreement; and (B) "IBRD Loan rate" means the variable interest rate charged by the Bank under Section 2.05 of the Loan Agreement; and

(iv) payment by ABC to the Borrower of all amounts the Borrower shall have paid as commitment charges pursuant to the provisions of Section 2.04 (a) of this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement 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 required under Section 3.02 (c) below and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, or fail to enforce the Subsidiary Loan Agreement or any provision thereof so as to affect the provisions of paragraph (b) above.

Section 3.02. (a) The Borrower and the Association shall, in consultation with ABC, review from time to time and at the request of either party, the interest rates being charged by the Borrower to ABC pursuant to the Subsidiary Loan Agreement, by ABC in its lending operations, and Subloan Interest Rates.

(b) The Borrower shall take all measures necessary or appropriate to ensure that: (i) interest rates charged by ABC are sufficient to permit ABC to comply with the provisions of Section 3.02 of the Project Agreement, including ensuring that ABC has the authority to increase Subloan Interest Rates if necessary to achieve the minimum spread requirement set forth in Section 3.02 (a) of the Project Agreement; and (ii) Subloan Interest Rates are positive in real terms, determined using a method and criteria acceptable to the Association.

(c) If any measures are required to be taken by the Borrower pursuant to paragraph (b) above and which require adjustments to the Subsidiary Loan Agreement, then the Borrower and ABC shall amend the Subsidiary Loan Agreement in a manner

satisfactory to the Association.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods 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 2 to the Project 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 respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) shall be carried out in respect of Parts A and B of the Project by ABC pursuant to Section 2.05 of the Project Agreement.

Section 3.05. The Borrower shall cause each Project Entity to assist ABC in carrying out Parts A and B of the Project, including causing each Project Entity to take the actions to be taken by such Project Entity referred to or described in the Implementation Program set forth in Schedule 3 to the Project Agreement.

Section 3.06. The Borrower shall ensure that Subprojects are implemented in conformity with appropriate guidelines, acceptable to the Association, for environmental protection issued by the Borrower and the Project Entities.

Section 3.07. (a) The Borrower, with the participation of ABC, shall, by June 30, 1992, carry out the study described in Part C of the Project under terms of reference satisfactory to the Association, including analyzing the role and functions of RCCs and non-governmental financial institutions in relationship to ABC in the provision of financing for the agriculture sector.

(b) Promptly thereafter, the Borrower shall discuss the results of the study with the Association.

Section 3.08. The Borrower shall take all measures necessary or appropriate to ensure that: (a) ABC maintains adequate equity in order to comply with the provisions of Section 3.03 of the Project Agreement in carrying out the provisions of Section 3.03 of the Project Agreement; and (b) ABC maintains the capital adequacy ratios in accordance with the recapitalization plan referred to in Section 3.04 (d) of the Project Agreement.

Section 3.09. Without limitation to or restriction upon its other reporting requirements under the General Conditions (as defined in this Agreement and the Loan Agreement) and the Development Credit Agreement, the Borrower shall, by December 31, 1992, carry out a midterm review with the Association of the progress of:

(a) implementing overall financial sector reform, including overall credit and interest rate policies, rationalization of the interest rate structure, and banking regulation and supervision; and

(b) carrying out the Project and ABC's institutional development, including ABC's risk-assets ratios and recapitalization plan, and implementation of the credit and technical assistance programs under the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures from the Special Account in respect of the Project.

(b) The Borrower shall:

(i) have 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 reasonable 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 reasonable request.

#### 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) ABC 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 ABC will be able to perform its obligations under the Project Agreement.

(c) The laws of the Borrower applicable to ABC, including the ABC Documents shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of ABC or its ability to carry out the Project or 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 ABC or for the suspension of its operations.

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

(a) the 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 ABC; and

(b) any event specified in paragraph (c) or (d) of Section 5.01 of the Development Credit 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 Subsidiary Loan Agreement has been entered into by the Borrower and ABC respectively;

(b) the Borrower's State Council has approved this Agreement; and

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

Section 6.02. The following 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 ABC, and is legally binding upon ABC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and is legally binding upon the Borrower and ABC 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. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

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

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC CN

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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

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/ Zhao Xixin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION



By /s/ A. Karaosmanoglu

Regional Vice President  
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the Loan, the allocation of the amounts of the Credit or Loan 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 Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- tures to be Financed
(1) Subloan under Part A of the Project:			
(a) ABC Sub- loans	132,920,000	75,000,000	71% of funds disbursed by ABC for ABC Subloans
(b) RCC Sub- loans	8,620,000	0	100% of funds dis- bursed by ABC for RCC Subloans
(2) Goods includ- ing machinery and equipment under Part B of the Project	1,220,000	0	100% of foreign ex- penditures, 100% of lo- cal expen- ditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) Overseas fellow- ships, staff train- ing and consultants' services under Part B of the Project	940,000	0	100%
TOTAL	143,700,000 =====	75,000,000 =====	

2. For the purposes of this Schedule:

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

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

(a) in respect of a Subloan unless the Subloan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreement; and

(b) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 17,960,000 may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after January 1, 1990, for which the Association has authorized withdrawals from the Credit Account.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to stimulate growth and diversification of agriculture in the Project Entities; and (b) to promote efficiency of rural financial intermediation and support ABC's institutional development.

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: Credit Program

Financing investments to increase agricultural production and productivity in the Project Entities, including:

- a. crop development:
  - (i) establishing new and rehabilitating existing apple orchards;
  - (ii) planting citrus trees and establishing post-harvest handling facilities;
  - (iii) planting fruit trees other than apple and citrus;
  - (iv) rehabilitating green tea production;
  - (v) mulberry planting and improvement and the establishment of facilities for silk cocoon production; and
  - (vi) constructing irrigation facilities.
- b. pasture-based and feed-based livestock development;
- c. fisheries development;
- d. agroprocessing development:
  - (i) expanding and rehabilitating tea processing factories;
  - (ii) construction of slaughterhouse and cold storage facilities; and

(iii) construction of other facilities in support of agricultural, livestock and fisheries production, processing and marketing; and

e. other agricultural investments that have been approved by the Association.

Part B: Institutional Development of ABC

1. Upgrading ABC's financial management and management information systems, and provision of office technology and equipment.

2. Training ABC's senior staff, staff in Project Entities and strengthening of ABC's trainers' training programs.

Part C: Rural Investment and Finance Study

Carrying out a study of rural investment and finance, rural financial institutions, and credit and interest rate policies.

\* \* \*

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

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means the Categories 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 Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; provided, however, that notwithstanding the provisions of paragraph 1 (b) of Part A of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of Free-limit Subloans may be made out of the Special Account before the Association shall have authorized withdrawals from the Credit Account or the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association or the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to seventeen million dollars (\$17,000,000) to be withdrawn from the Credit Account or the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the

Special Account at such intervals as the Association shall specify.

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

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

4. For each payment made by the Borrower out of 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 applicable to this Agreement and paragraph (a) of Section 2.02 of this Agreement or from the Loan Account in accordance with the provisions of Section 2.02 of the Loan Agreement and Article V of the General Conditions applicable to the Loan Agreement; or

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

Thereafter, withdrawal from the Credit Account and the Loan Account of the remaining unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories 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; and (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 or the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into 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 or the Bank such outstanding amount.

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

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

#### SCHEDULE 4

##### Calculation of Interest Rates

1. This Schedule applies to the onlending of the proceeds of the Credit from the Borrower to ABC in Renminbi for purposes of making Subloans under the Project.
2. The interest rate charged shall be based on ABC's weighted average interest cost of long-term domestic funds, provided, however, that the interest rate charged by the Borrower to ABC shall not be lower than the interest rate charged by the Borrower or PBC to other specialized banks for similar loans for similar purposes.
3. ABC's weighted average interest cost of long-term domestic funds, shall be calculated and weighted in accordance with criteria acceptable to the Association. For purposes of this Schedule the term "long-term domestic funds" means resources raised from domestic sources by means of fixed-term borrowings, issuing bonds, notes or certificates, or holding deposits with maturities of five years or less (including not more than 20% of total demand deposits).
4. The Borrower shall determine the lowest interest rate charged by the Borrower or People's Bank of China to other specialized banks for similar loans for similar purposes. In this context, the following terms have the following meanings:
  - (a) "other specialized banks" means banks that emphasize lending within particular sectors in China and includes the Industrial Commercial Bank of China, Bank of China and People's Construction Bank of China;
  - (b) "similar loans" means loans made for similar maturities and grace periods; and
  - (c) "similar purposes" means any loan made for purposes of financing development projects or investments.
5. The interest rate charged by the Borrower to ABC shall be equivalent to the interest rate determined under paragraph 3 above, unless the interest rate determined under paragraph 4 above is higher, in which case the interest rate charged by the Borrower to ABC shall be equivalent to the interest rate determined under paragraph 4.
6. The interest rate to be charged by the Borrower to ABC shall be determined at least annually in accordance with the above provisions and shall be applied prospectively on all outstanding amounts due from ABC to the Borrower.