

CONFORMED COPY

LOAN NUMBER 3006 CHA

(Ningbo and Shanghai Ports Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated February 13, 1989

LOAN NUMBER 3006 CHA

LOAN AGREEMENT

AGREEMENT, dated February 13, 1989, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) Part A of the Project will be carried out by Ningbo Port Authority (NPA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NPA part of the proceeds of the Loan as provided in this Agreement;

(C) Part B of the Project will be carried out by Shanghai Harbor Bureau (SHB) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to SHB part of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to

extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in each of the Project Agreements of even date herewith between the Bank and NPA and SHB, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "NPA" means the Ningbo Port Authority, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, as further defined in Section 3.04 of the NPA Project Agreement (as hereinafter defined);

(c) "NPA Charter" means the Charter of NPA, issued on May 18, 1988;

(d) "NPA Project Agreement" means the agreement between the Bank and NPA 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 NPA Project Agreement;

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

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

(g) "SHB" means the Shanghai Harbor Bureau, a state-owned enterprise of the Borrower, established and operating pursuant to its Charter, as further defined in Section 3.04 of the SHB Project Agreement (as hereinafter defined);

(h) "SHB Charter" means the Charter of SHB, issued on August 21, 1988;

(i) "SHB Project Agreement" means the agreement between the Bank and SHB 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 SHB Project Agreement;

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

(k) "SHB Special Account" means the account referred to in Section 2.02 (c) of this Agreement;

(l) "Project Entities" means NPA and SHB, and Project Entity shall mean either of NPA or SHB, as the context requires;

(m) "Project Agreements" means the NPA Project Agreement and the SHB Project Agreement;

(n) "Subsidiary Loan Agreements" means the NPA Subsidiary Loan Agreement and the SHB Subsidiary Loan Agreement;

(o) "Special Accounts" means the NPA Special Account and the SHB Special Account; and

(p) "Charters" means NPA Charter and SHB Charter.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to seventy-six million four hundred thousand dollars (\$76,400,000).

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

(b) The Borrower shall, for the purposes of Part A of the Project, open and maintain in the name of NPA, in dollars a special account in a bank and on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the NPA Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower shall, for the purposes of Part B of the Project, open and maintain in the name of SHB, in dollars a special account in a bank and on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the SHB Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in

accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. For the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions: (i) NPA is designated as representative of the Borrower for Part A; and (ii) SHB is designated as representative of the Borrower for Part B of the Project.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part C of the Project through MOC, with due diligence and efficiency and in conformity with appropriate administrative, financial and port engineering and operating practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause each of the Project Entities to perform all its obligations set forth under its respective Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Project Entity to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend thirty million dollars (\$30,000,000) out of the proceeds of the Loan to NPA under a subsidiary loan agreement to be entered into between the Borrower and NPA, under terms and conditions which shall have been approved by the Bank and shall include that: (i) the NPA subsidiary loan shall be repaid over a period of 20 years, including five years of grace, and accrue interest at a rate of five percent (5%) per annum; and (ii) the commitment charges and the foreign exchange risk on the repayment of the NPA subsidiary loan shall be borne by NPA.

(d) The Borrower shall relend forty-six million four hundred thousand dollars (\$46,400,000) out of the proceeds of the Loan to SHB under a subsidiary loan agreement to be entered into between the Borrower and SHB, under terms and conditions which shall have been approved by the Bank and shall include that: (i) the SHB subsidiary loan shall be repaid over a period of 20 years, including five years of grace, and accrue interest at a rate of six and one-fifth percent (6.1/5%) per annum; and (ii) the commitment charges and the foreign exchange risk on the repayment of the SHB subsidiary loan shall be borne by SHB.

(e) 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 Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. 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 4 to this Agreement.

Section 3.03. The Bank and the Borrower hereby agree that 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) shall be carried out by NPA pursuant to Section 2.03 of the NPA Project Agreement, and by SHB pursuant to Section 2.03 of the SHB Project Agreement.

Section 3.04. The Borrower shall carry out the studies under Part C of the Project in accordance with terms of reference and schedules agreed with the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

(iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for each of the Special Accounts, 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, including 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; 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 V

Remedies of the Bank

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

(a) Either of the Project Entities shall have failed to perform any of its obligations under its respective Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that either of the Project Entities will be able to perform its obligations under its respective Project Agreement.

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

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

Section 5.02. Pursuant to Section 7.01 (h) 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 Bank to the Borrower; and

(b) the events 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 Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) each of the Subsidiary Loan Agreements has been executed on behalf of the Borrower and the respective Project Entity; and

(b) the Borrower's State Council has approved the Loan Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that each of Project Agreements has been duly authorized or ratified by the respective Project Entity and is legally binding upon such Project Entity 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 Project Entity and is legally binding upon the Borrower and such Project Entity 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

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 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
People's Republic of China

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Han Xu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
Part A of the Project:		
(1) Civil works	11,890,000	85%
(2) Goods	15,070,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local ex- penditures for other items pro- cured locally
(3) Consultants' services and training	1,500,000	100%

(4) Unallocated	1,540,000	
Subtotal	30,000,000	
Part B of the Project:		
(5) Civil works for Part B.5	2,000,000	50%
(6) Goods	41,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local ex- penditures for other items pro- cured locally
(7) Consultants' services and training	700,000	100%
(8) Unallocated	2,400,000	
Subtotal	46,400,000	
TOTAL	76,400,000	

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 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 \$4,200,000 may be made in respect of Category (6) on account of payments made for expenditures before that date but after October 1, 1987.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in its efforts to improve operations and relieve congestion, and increase the cargo handling capacity of the Project Entities through infrastructure development, provision of modern equipment, and technical assistance and training in management, operations and planning.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Ningbo Port

1. Construction of a jetty about 750 meter (m) long for one container berth and two general purpose berths with two 14 m wide causeways connecting the jetty to shore in Ningbo including:

(i) pavement of the necessary yards and roadways, construction of

railway connections, required sheds, buildings, water supply and sewerage; and

(ii) provision of equipment needed to operate the facilities, including container cranes, other cranes, forklifts, tugboats and computers.

2. Rehabilitation of NPA's existing facilities, particularly at Beilun terminal.
3. Training of both operational and managerial staff.
4. Updating Ningbo Port Master Plan, including evaluation of the effects of planned port expansion on adjacent commercial activities, residential areas and transport infrastructure.
5. Carrying out a port optimization study to utilize the deepwater potential at Ningbo Port.
6. Improvement of the environmental monitoring system in the port area through the establishment of an environmental monitoring unit, provision of equipment and training.
7. Implementation of an Action Plan to improve NPA's operations and maintenance.

Part B: Shanghai Port

1. Construction of a multi-purpose terminal at Baoshan, consisting of eight berths, three of which would be designed to handle containers.
2. Construction of an eight-berth general cargo terminal at Guangang.
3. Construction of two coal handling berths at Zhujiamen.
4. Reconstruction and rehabilitation of four berths at the Minsheng terminal.
5. Construction of an 80,000-ton capacity grain silo at Minsheng terminal.
6. Provision of cargo handling equipment for Parts (1), (2), (3) and (5) above, including container cranes for the Baoshan terminal and bulk coal and grain handling equipment for the Zhujiamen and Minsheng terminals, respectively.
7. Training of both operational and managerial staff.
8. Carrying out of a review of Shanghai Port Master Plan by a panel of experts jointly established by SHB and the Bank.
9. Carrying out of an Action Plan including a number of measures designed to improve the efficiency and safety of operations in Shanghai Port.

Part C:

Carrying out of a study to develop a port costing and management information system to enable the Borrower's ports to monitor costs and introduce a more rational tariff structure.

* * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*		
	Part A	Part B	Total

May 1, 1994	555,000	855,000	1,410,000
November 1, 1994	575,000	890,000	1,465,000
May 1, 1995	595,000	920,000	1,515,000
November 1, 1995	620,000	955,000	1,575,000
May 1, 1996	640,000	995,000	1,635,000
November 1, 1996	665,000	1,030,000	1,695,000
May 1, 1997	690,000	1,070,000	1,760,000
November 1, 1997	720,000	1,110,000	1,830,000
May 1, 1998	745,000	1,155,000	1,900,000
November 1, 1998	775,000	1,195,000	1,970,000
May 1, 1999	805,000	1,240,000	2,045,000
November 1, 1999	835,000	1,290,000	2,125,000
May 1, 2000	865,000	1,340,000	2,205,000
November 1, 2000	900,000	1,390,000	2,290,000
May 1, 2001	930,000	1,440,000	2,370,000
November 1, 2001	970,000	1,495,000	2,465,000
May 1, 2002	1,005,000	1,555,000	2,560,000
November 1, 2002	1,045,000	1,610,000	2,655,000
May 1, 2003	1,080,000	1,675,000	2,755,000
November 1, 2003	1,125,000	1,735,000	2,860,000
May 1, 2004	1,165,000	1,805,000	2,970,000
November 1, 2004	1,210,000	1,870,000	3,080,000
May 1, 2005	1,255,000	1,945,000	3,200,000
November 1, 2005	1,305,000	2,015,000	3,320,000
May 1, 2006	1,355,000	2,095,000	3,450,000
November 1, 2006	1,405,000	2,170,000	3,575,000
May 1, 2007	1,460,000	2,255,000	3,715,000
November 1, 2007	1,515,000	2,340,000	3,855,000
May 1, 2008	1,570,000	2,430,000	4,000,000
November 1, 2008	1,620,000	2,530,000	4,150,000
	<u>30,000,000</u>	<u>46,400,000</u>	<u>76,400,000</u>

* The figures in these columns represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
outstanding	The interest rate (expressed as a percentage per annum) applicable to the balance
multiplied by:	on the Loan on the day of prepayment
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80

More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

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 1985 (the Guidelines).

2. Bidders for the works included in Parts A and B of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured or produced 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. Items or group of items for Parts A and B of the Project, estimated to cost the equivalent of not more than \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of (i) \$1,800,000 for Part A, and (ii) \$1,000,000 for Part B of the Project, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Items or groups of items for Part B of the Project estimated to cost not more than the equivalent of \$4,500,000 may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

3. Items or groups of items for Part B of the Project, estimated to cost not more than the equivalent of \$3,100,000, may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part E: Review by the Bank of Procurement Decisions

1. Review of Prequalification:

With respect to the prequalification procedures 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 referred to in 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 any of the Special Accounts, 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 such 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 any of the Special Accounts, 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 the relevant Special Account Schedule.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (a) (ii) of the Loan Agreement.

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 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 5

NPA Special Account

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 this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Loan Account and deposited in the NPA Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the NPA Special Account such amount or

amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the NPA 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 made out of the NPA Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from 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 NPA Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

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

6. (a) If the Bank shall have determined at any time that any payment out of the NPA 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the NPA Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the NPA 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 Bank shall have determined at any time that any amount outstanding in the NPA Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank and with the Bank's consent, refund to the Bank all or any portion of the funds on deposit in the NPA Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of

this Schedule shall be credited to the Loan Account for cancellation or subsequent withdrawal as the Bank may determine.

SCHEDULE 6

SHB Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (5), (6) and (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited in the SHB Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the SHB Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the SHB 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 made out of the SHB Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from 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 SHB Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) once the total unwithdrawn amount of the Loan allocated to the eligible

Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part B of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Bank shall have determined at any time that any payment out of the SHB 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the SHB Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the SHB 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 Bank shall have determined at any time that any amount outstanding in the SHB Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank and with the Bank's consent, refund to the Bank all or any portion of the funds on deposit in the SHB Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for cancellation or subsequent withdrawal as the Bank may determine.

