

CONFORMED COPY

LOAN NUMBER 3406 CHA

(Fifth Railway Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 28, 1991

LOAN NUMBER 3406 CHA

LOAN AGREEMENT

AGREEMENT, dated October 28, 1991, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) the last sentence of Section 3.02 is deleted;

(b) in Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "MR" means the Borrower's Ministry of Railways or any successor thereto;

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

(c) "Project Sub-units" means the administration and sub-administrations of MR, which are carrying out the Project.

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, various currencies that shall have an aggregate value equivalent to the amount of three hundred thirty million dollars (\$330,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, 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 the Project, open and maintain, in dollars, a special deposit account in a bank acceptable to the Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 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 for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during 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 determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

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

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on June 1 and December 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.

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 the Project through MR with due diligence and efficiency and in conformity with appropriate railway operation management, financial and engineering practices, and shall provide, 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 the Borrower shall otherwise agree, the Borrower shall cause MR to carry out the Project in accordance with the Implementation Program set forth in Schedule 6 to this Agreement.

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause MR to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of the Project Sub-units in respect of the Project.

(b) The Borrower shall cause MR to:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, and MR income statement of its consolidated 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: (A) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and (B) certified copies of MR unaudited financial statements (balance sheets and sources and application of funds), 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.

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

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

(ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Except as the Bank shall otherwise agree, the Borrower shall cause MR to maintain, for each of its fiscal years after its fiscal year ending on December 31, 1990, a ratio of total operating expenses to total operating revenues not higher than 82%.

(b) Before December 31 in each of its fiscal years, MR shall, on the basis of forecasts prepared by MR and satisfactory to the Bank, ascertain whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any review shows that MR would not meet the requirements set forth in paragraph (a) for MR's fiscal years covered by such review, MR shall promptly take all necessary measures (including, but not limited to, adjustments of the structure or levels of its tariffs) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis on the annual gross value of MR's fixed assets in operation, or other basis acceptable to the Bank, excluding interest and other charges on debt.

(ii) The term "total operating revenues" means revenues from all sources related to operations, net of business tax.

Section 4.03. (a) Except as the Bank shall otherwise agree, the Borrower shall cause MR, from time to time to take, or cause to be taken, all such measures (including, but not limited to, adjustments of the structure or levels of its tariffs as determined by the Borrower) as shall be required to produce each year total revenues, after business tax, to cover total expenses, financial obligations and a contribution of 20% or more of the total annual capital expenditures for 1991-1993, and 25% or more thereafter.

(b) For purposes of this Section:

(i) The term "total revenues" means the sum of revenues from all sources related to operations including MR's subsidiaries and factories, and net of business tax.

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

(iii) 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 (including mandatory transfers to the Borrower), and any other cash outflows (other than capital expenditures) related to operations.

(iv) The term "total capital expenditures" means the annual capital investment, including investment for equipment replacement.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause MR to carry on its operations and conduct its affairs in accordance with sound railway operation management, financial, and engineering practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 5.02. Without limitations to the provisions of Section 9.04 and 9.08 of the General Conditions, the Borrower shall cause MR:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with appropriate practice; and

(b) at all times to operate and to maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound financial and railway operation and engineering practices.

ARTICLE VI

Effective Date: Termination

Section 6.01. The following event is specified as an additional condition to the

effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower's State Council shall have approved the Loan Agreement.

Section 6.02. 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; Address

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
Sanlihe
Beijing 100820
People'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:

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/ Zhu Qizhen

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

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
(1) Equipment and materials	329,800,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(2) Consultants' services and training	200,000	100%
TOTAL	330,000,000 =====	

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 in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in (i) introducing into its railway subsector recent developments in rail technology, maintenance and rehabilitation practices so as to enhance efficiency and increase capacity; (ii) developing system-wide plans and planning tools in the railway subsector; (iii) adopting modern planning techniques for establishing investment priorities; and (iv) adding capacity where such additions are urgently needed and justified.

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:

1. Rehabilitation and maintenance of about 500 kilometers (km) of railway track, including 5 km of test section, through the provision of materials and equipment.

2. Rehabilitation and maintenance of about 200 locomotives and about 6,000 rolling stock through the provision of materials and equipment.

Part B: Zhegan Line

Double-tracking of about 594 km of the Zhegan Line connecting Zhuzhou and Hangzhou, and expansion of the facilities at the stations to handle longer trains.

Part C: Xuzhou Terminal

Expansion of the Xuzhou terminal through the provision of equipment.

Part D: Railway Investment Study

Carrying out a study on railway investment evaluation and priorities.

Part E: Railway Traffic Costing System

Carrying out a program of action for implementation of the railway traffic costing system commenced by the Borrower in 1984.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
June 1, 1997	6,020,000
December 1, 1997	6,250,000
June 1, 1998	6,490,000
December 1, 1998	6,745,000
June 1, 1999	7,005,000
December 1, 1999	7,275,000
June 1, 2000	7,555,000
December 1, 2000	7,845,000
June 1, 2001	8,150,000
December 1, 2001	8,465,000
June 1, 2002	8,795,000
December 1, 2002	9,135,000
June 1, 2003	9,485,000
December 1, 2003	9,850,000
June 1, 2004	10,235,000
December 1, 2004	10,630,000
June 1, 2005	11,040,000
December 1, 2005	11,465,000
June 1, 2006	11,910,000
December 1, 2006	12,370,000
June 1, 2007	12,850,000
December 1, 2007	13,345,000
June 1, 2008	13,860,000
December 1, 2008	14,395,000
June 1, 2009	14,950,000
December 1, 2009	15,530,000
June 1, 2010	16,130,000
December 1, 2010	16,755,000
June 1, 2011	17,400,000
December 1, 2011	18,070,000

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

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on

the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
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

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. Items or groups of items estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$5,000,000 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. Specialized and proprietary items, estimated to cost up to an aggregate amount not exceeding the equivalent of \$10,500,000, may be purchased directly under negotiated contracts in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the 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 5 to this Agreement.

(c) The provision 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 (c) (ii) of this 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

Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the 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 \$16,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank 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) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the

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

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

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

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

(i) 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

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

(b) Thereafter, withdrawal from the 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 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 Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule, the Borrower shall, promptly upon notice from the Bank, deposit into the 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund.

(b) If the Bank 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 Bank, refund to the Bank such outstanding amount for crediting to the Loan Account.

SCHEDULE 6

Implementation Program

1. The railway track to be rehabilitated under Part A.1 of the Project shall be selected in agreement between the Borrower and the Bank.

2. The Borrower shall cause MR to take all necessary steps to ensure that at least 82% of all imported diesel and electric locomotives are available for operation.

3. The Borrower shall carry out, or cause MR to carry out resettlement of the people affected by the Project in accordance with a program agreed with the Bank.

4. The Borrower shall cause MR to (a) carry out the Railway Investment Study under

Part D of the Project in accordance with terms of reference agreed with the Bank, (b) not later than December 31, 1991, discuss with the Bank the recommendations of the Study, and (c) upon successful testing, use the techniques developed by the Study in preparing an economically optimal investment program in the railway subsector.

5. (a) For the purposes of Part E of the Project, the Borrower shall cause MR to develop and carry out an implementation program agreed with the Bank for implementation of the railway traffic costing system study begun under Railway Project (Loan No. 2394 CHA) between the Borrower and the Bank dated April 13, 1984, and continued under Third Railway Project (Credit No. 1680-CHA, Loan No. 2678-CHA) between the Borrower and the International Development Association, and the Bank, respectively, dated October 16, 1986.

(b) Without limitations to the provisions of paragraph (a) above, MR shall, based on the results and recommendations of the railway traffic costing study, take the necessary steps to formulate a program acceptable to the Bank for restructuring its tariffs.

6. The Borrower shall cause MR to: (a) furnish to the Bank by March 31, 1992, for the Bank's review and comments, a report on the initial phase of the Planning Studies being carried out under Second Railway Project (Loan No. 2540-CHA) between People's Republic of China and the Bank, dated August 26, 1985, as amended on April 23, 1991; and (b) use the findings and recommendations of the Studies for MR future development, and for establishing system-wide priorities for the railway network.

