

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N039 CHA

Interim Fund
Development Credit Agreement

(Forestry Development in Poor Areas Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association

Dated July 31, 1998

INTERIM FUND CREDIT NUMBER N039 CHA

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT July 31, 1998, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996, and amended as of December 31, 1997.

WHEREAS: (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

(C) 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 equal to one hundred million dollars (\$100,000,000) (the Loan); and

(D) the Borrower and the Administrator intend, to the extent practicable, that the proceeds of the Interim Fund Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of

the proceeds of the Loan provided for in the Loan Agreement are made; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund Credit to the Borrower upon the terms and conditions set forth in this Agreement;

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions, means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement.

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively.

(c) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

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) "Environmental Management Plan" means the environmental management plan for the Project dated March 1998 prepared by MFO for the Project, which sets out environmental protection measures as well as administrative and monitoring arrangements to ensure the implementation of said measures.

(b) "Implementation Arrangement" means, in respect of each Project Province, the arrangement referred to in Part A.4 of Schedule 4 to this Agreement between the Borrower and said Project Province for the implementation of the Project within such Project Province.

(c) "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 includes the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(d) "Marketing Infrastructure Sub-loan" means a loan made or proposed to be made by a Project Province to a Rural Marketing Group out of the proceeds of the Loan or the Interim Fund Credit for a Marketing Sub-project.

(e) "Marketing Sub-project" means a specific investment project to be carried out by a Rural Marketing Group under Part C.4 of the Project for the development or expansion of marketing infrastructure for economic tree crops.

(f) "MFO" means the Borrower's Ministry of Forestry, and any successor thereto.

(g) "MOF" means the Borrower's Ministry of Finance, and any successor thereto.

(h) "Project Counties" means those counties within the Project Provinces in which afforestation activities are to be carried out under Part A or Part B of the Project.

(i) "Project Provinces" means Anhui Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Hebei Province, Henan Province, Hubei Province, Hunan Province, Jiangxi Province, Liaoning Province, Shanxi Province, Sichuan Province and Yunnan Province, and "Project Province" means any of the Project Provinces.

(j) "Rural Marketing Group" means an individual, group of individuals or enterprise possessing legal person status.

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

(l) "Sub-borrower" means, as the context requires, a Rural Marketing Group or a TVE.

(m) "SFA" means the Borrower's State Forestry Administration, and any successor thereto.

(n) "Sub-loan" means, as the context requires, a Marketing Infrastructure Sub-loan or a TVE Sub-loan.

(o) "Sub-project" means, as the context requires, a Marketing Sub-project or a TVE Sub-project.

(p) "Township Enterprise Law" means the Township Enterprise Law of the Borrower adopted at the Twenty Second Session of the Standing Committee of the Eighth National People's Congress on October 29, 1996.

(q) "TVE" means a township and village enterprise, as such term is defined in the Township Enterprise Law.

(r) "TVE Sub-loan" means a loan made or proposed to be made by a Project Province to a TVE out of the proceeds of the Loan or the Interim Fund Credit for a TVE Sub-project.

(s) "TVE Sub-project" means a specific investment project to be carried out by a TVE utilizing the proceeds of a TVE Sub-loan under Part D of the Project.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to seventy-four million three hundred thousand Special Drawing Rights (SDR 74,300,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for:

(i) expenditures made (or, if the Administrator 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 (other than Part C.4 and Part D of the Project) and to be financed out of the proceeds of the Interim Fund Credit;

(ii) amounts paid (or, if the Administrator shall so agree, to be paid) on account of withdrawals made by TVEs under TVE Sub-loans to meet the reasonable cost of goods and services required for the TVE Sub-project in respect of which withdrawal from the Interim Fund Credit Account is requested; and

(iii) amounts paid (or, if the Administrator shall so agree, to be paid) on account of withdrawals made by Rural Marketing Groups under Marketing Infrastructure Sub-loans to meet the reasonable cost of goods and services required for the Marketing Sub-project in

respect of which withdrawal from the Interim Fund
Account is requested.

Credit

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be January 1, 2006, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Interim Fund 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 Interim Fund Credit Account or canceled; 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semiannual installments payable on each April 15 and October 15 commencing October 15, 2008 and ending April 15, 2033. Each installment to and including the installment payable on April 15, 2018 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Administrator of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the

principal amount of the Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Administrator notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Administrator may revise the modification referred to in paragraph (b) above 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) 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 Administrator may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through its SFA and the Project Provinces with due diligence and efficiency and in conformity with appropriate financial, forestry, environmental protection and management 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 Borrower and the Administrator shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Borrower shall make available to each of the Project Provinces the portion of the proceeds of the Interim Fund Credit corresponding to the cost of goods, works and services required for its activities under the Project and to be financed out of the Interim Fund Credit, on the following terms and conditions:

(i) repayment over a period of 17 years;

(ii) at the option of the Project Province, either: (a) a period of five years of grace; or (b) a period of seven years of grace, together with provision for the addition of an interest charge during the last two years of grace;

(iii) payment by the Project Province of service charges and commitment charges on terms equivalent to those payable by the Borrower pursuant to Article II of this Agreement; and

(iv) foreign exchange risk between Special Drawing Rights and the Borrower's currency over the repayment period to be borne by such Project Province.

(b) The Borrower shall cause each of the Project Provinces to further onlend the proceeds of the Interim Fund Credit in accordance with the provisions of Part D of Schedule 4 to this Agreement.

Section 3.03. Except as the Administrator 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 Interim Fund Credit shall be governed by the provisions of

Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan for the future operation of the Project; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(ii) furnish to the Administrator, 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 Administrator shall have reasonably requested; and

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

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

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

(ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

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

ARTICLE V

Remedies of the Association and the Administrator

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that any of the Project Provinces shall have failed to perform any of its obligations under its respective Implementation Arrangement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Administrator to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Interim Fund Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) an Implementation Arrangement has been executed between the Borrower and each Project Province; and

(b) all conditions precedent to the effectiveness of the Loan Agreement, other than the effectiveness of the Interim Fund Development Credit Agreement, have been fulfilled.

Section 6.02. The following is specified as an additional matter, 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 Administrator, namely, that the Implementation Arrangement with each Project Province has been duly authorized or ratified by the Borrower and said Project Province and is legally binding upon the parties 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.

Section 6.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as the 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 and the Administrator:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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/ Liu Xiaoming

Authorized Representative

funds
Development
IDA 184

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the interim trust fund established with
contributed by certain members of International
Association pursuant to Resolution No.

of the Board of Governors of
International Development Association

By /s/ Jane Loos

Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit and of the Loan

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

Category Financed	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be
(1) Goods (other foreign than those included 100%	15,590,000	21,000,000	100% of expenditures,

in Category (2) below			of local
expenditures			(ex-factory
cost) and			75% of local
expen-			ditures for
other			items
procured locally			
(2) Afforestation	48,990,000	66,000,000	50%
(3) Consultants' services, training and study tours	450,000	600,000	100%
(4) TVE Sub-loans	4,530,000	6,100,000	100% of TVE
(5) Marketing Infrastructure Marketing Sub-loans Infrastructure	970,000	1,300,000	100% of Sub-loans
(6) Unallocated	3,770,000	5,000,000	
TOTAL	74,300,000 =====	\$100,000,000 =====	

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; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the People's Republic of China for goods and services supplied from such region shall be deemed to be "foreign expenditures";

(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; and

(c) the term "Afforestation" means plantation establishment, irrigation civil works, and guard/storage shed civil works. For this purpose:

(i) "plantation establishment" means: (A) site clearing, preparation, planting, and tending; (B) seedlings; (C) construction of forest trails; and (D) surveys and designs, supervision, and environmental management; all as required for the establishment of timber plantations and economic forest crops, and the costs of which are determined on a per hectare basis in accordance with a schedule of costs for each species acceptable to the Administrator;

(ii) "irrigation civil works" means works, materials, and surveys and designs, the costs of which are determined on a per meter basis in accordance with a schedule of costs acceptable to the Administrator; and

(iii) "guard/storage shed civil works" means works and materials, as determined on a per unit basis in accordance with a schedule of costs acceptable to the Administrator.

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

(a) 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 2,200,000 equivalent, may be made in respect of Category (2) on account of payments made for expenditures before that date but after July 1, 1997; and

(b) under Category (5), until a review of marketing studies, acceptable to the Administrator, shall have been furnished to the Administrator by the Borrower in accordance with paragraph 4 (b) of Part C of Schedule 4 to this Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures:

(a) for goods and works under contracts costing less than \$250,000 equivalent, except for the contracts referred to in paragraphs 2 (b) and 2 (c) of Part D of Schedule 3 to this Agreement;

(b) for consultants' services provided by individual consultants under contracts costing less than \$50,000 equivalent and for consultants' services provided by firms under contracts costing less than \$100,000 equivalent;

(c) for Afforestation, training and study tours;

(d) for Marketing Infrastructure Sub-loans under Part C.4 of the Project; and

(e) for TVE Sub-loans under Part D of the Project;

all under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to develop forest resources in poor areas of central and western China on a sustainable and participatory basis, to support poverty reduction, forestry development and improved environmental management.

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

Part A: Timber Plantation Component

Establishment and initial operation of about 315,000 hectares of plantations on mountainous wasteland in the Project Provinces, of conifer species such as Chinese fir, masson pine, slash pine, loblolly pine and larch, and of broadleaf species such as poplar and eucalyptus, primarily for timber and secondarily for pulpwood and pit props, including site clearing and preparation, planting, tending, extension, supervision, environmental management, the provision of management information systems, and the provision of seedlings, materials and equipment, fertilizers and pesticides.

Part B: Economic Forest Crops Component

Establishment and initial operation of about 230,000 hectares of economic forest crop plantations on mountainous wasteland in the Project Provinces, comprising about 110,000 hectares of new and rehabilitated bamboo and about 120,000 hectares of fruit, nut and medicinal trees (such as chestnut, walnut, ginkgo, eucommia, apricot, jujube, apple, pear and tung oil), including site clearing and preparation, planting, tending, extension, supervision, environmental management, the provision of management information systems, and the provision of seedlings, materials and equipment, fertilizers and pesticides.

Part C: Technical Support Services Component

1. Raising the quality of planting materials through introduction of improved genetic materials and nursery management technologies, thereby supporting the production of about 800,000,000 seedlings required for the Project.
2. Dissemination of key silvicultural research findings and technical silvicultural guidelines to Project staff and Project beneficiaries through:
 - (a) preparation and dissemination of new training and extension materials;
 - (b) procurement of motorcycles and other basic equipment for county and township forest stations;
 - (c) development and implementation of domestic training programs;
 - (d) provision of training courses and study tours in the areas of forestry, poverty reduction, project management and silvicultural management; and
 - (e) establishment of demonstration plantations.
3. Provision of supporting infrastructure for afforestation under Part A and Part B of the Project, including construction of forest trails, limited irrigation facilities for some economic tree crops and small guard/storage sheds.
4. Financing, through the provision of sub-loans, of specific investment projects to develop and expand small-scale marketing infrastructure for post-harvest treatment and marketing of economic tree crop production.

Part D: Township and Village Enterprise Development Component

Financing, through the provision of sub-loans, of specific investment projects to develop and expand small-scale, labor-intensive, commercially oriented township and village enterprises in the forestry sector.

* * * * *

The Project is expected to be completed by July 1, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost \$250,000 or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2

thereto shall apply to goods manufactured in the territory of the Borrower (except for the Hong Kong Special Administrative Region) and works to be carried out by domestic contractors (except for works carried out by contractors from the Hong Kong Special Administrative Region).

Part C: Other Procurement Procedures

1. Goods

(a) National Competitive Bidding

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Limited International Bidding

Pesticides, which the Administrator agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

(c) International Shopping

Goods estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$5,500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(d) Direct Contracting

Seeds which must be procured by means of direct contracting from a particular supplier in order to ensure genetic suitability and costing \$500,000 equivalent or less in the aggregate, may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

2. Works

(a) National Competitive Bidding

Works estimated to cost less than \$2,500,000 per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Force Account and Community Participation

Works costing less than \$150,000 per assignment, which meet the requirements of paragraph 3.8 of the Guidelines, up to an aggregate amount not to exceed \$150,000,000 equivalent, may, with the Administrator's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines, or by the use of community members hired in accordance with procedures acceptable to the Administrator.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for goods and works estimated to cost the equivalent of \$250,000 or more; (b) the first contract for goods to be awarded by each

Project Province under Part C.1 (a) of this Section I; and (c) the first contract for works to be awarded by each Project Province under Part C.2 (a) of this Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997, and revised in September 1997, (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Services Based on Consultants' Qualifications

Services to assist TVEs to carry out TVE Sub-projects under Part D of the Project and estimated to cost less than \$75,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for forestry and silvicultural assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Administrator of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Part A: Project Management and Implementation

1. The Borrower shall ensure that the Project Management Center in SFA, the provincial level project management office in the forestry department of each Project Province and the county level project management office in each county forestry bureau responsible for implementation of a portion of the Project shall be maintained throughout the period of Project implementation with functions and responsibilities acceptable to the Administrator, with competent staff in adequate numbers.

2. The Borrower shall ensure that, by December 31 in each year, an annual work plan and annual financing plan for Project activities for the next calendar year shall be prepared under terms of reference acceptable to the Administrator and furnished by SFA to the Administrator for review, and that such plans shall thereafter be implemented, taking account of the Administrator's comments thereon.

3. The Borrower shall ensure that all project activities, including afforestation under Parts A and B of the Project, planting material development under Part C of the Project, and TVE development under Part D of the Project, shall be carried out in accordance with the Environmental Management Plan.

4. (a) The Borrower shall enter into an Implementation Arrangement with each Project Province, obligating such Project Province to carry out its responsibilities with respect to the Project in accordance with the provisions of this Agreement and to take such additional actions applicable to it as are specified in this Schedule 4, in accordance with the provisions thereof.

(b) The Borrower shall:

(i) cause each Project Province to perform, in accordance with the provisions of the Implementation Arrangement to which said Project Province is a party, all of the obligations of said Project Province therein set forth;

(ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Project Province to perform such obligations; and

(iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall exercise its rights under each Implementation Arrangement in such manner as to protect the interests of the Borrower and the Administrator and to accomplish the purposes of the Interim Fund Credit and of the Loan, and except as the Administrator shall otherwise agree, not assign, amend, abrogate, or waive any Implementation Arrangement or any provision thereof.

Part B: Afforestation

1. Under Parts A and B of the Project, the Borrower shall ensure that :

(a) all afforestation sites shall be established in accordance with models, for each species, acceptable to the Administrator;

(b) all afforestation activities, including land tenure arrangements, production arrangements, and project implementation and cooperation arrangements

involving afforestation entities, shall be carried out in accordance with guidelines acceptable to the Administrator; and

(c) each provincial level project management office shall finalize all technical design plans for afforestation sites, in accordance with guidelines acceptable to the Administrator, by June 30, 1999, and shall thereafter carry out afforestation activities in accordance with such finalized plans.

Part C: Technical Support Services

1. The Borrower shall ensure that:

(a) all seedlings utilized in the Project shall conform to standards specified in the Planting Management Development Plan dated March 1998 prepared by MFO for the Project;

(b) all nurseries utilized in the Project shall operate in accordance with guidelines specified in the Nursery Management Guidelines dated March 1998 prepared by MFO for the Project; and

(c) SFA shall prepare on the basis of guidelines acceptable to the Administrator and, by December 31 of each year, furnish to the Administrator for review, an evaluation report for such year and a work plan for the next calendar year, in each case with respect to planting stock development and nursery management, and thereafter carry out said work plan during said calendar years taking into account the Administrator's views on the matter.

2. The Borrower shall cause the Project Provinces to adopt the following technical design criteria for supporting infrastructure for afforestation under Part C of the Project:

(a) forest trails shall be dirt paths no wider than one meter; and

(b) each guard/storage shed shall be no larger than 60 square meters and shall be constructed of brick and concrete in line with local standards for similar construction.

3. The Borrower shall ensure that local and overseas training and study tours under Part C of the Project shall be carried out in accordance with the Training and Extension Program dated March 1998 prepared by MFO for the Project.

4. The Borrower shall:

(a) cause the Project Provinces to ensure that each county level project management office shall, not later than December 31, 2002, prepare a study, in accordance with terms of reference acceptable to the Administrator, on the specific marketing arrangements for Project production under Part B of the Project in the relevant county; and

(b) through SFA, prepare and furnish to the Administrator, not later than March 31, 2003, a summary review of such marketing studies, of such scope and in such detail as the Administrator shall reasonably request.

Part D: Onlending Arrangements

1. The Borrower shall cause each of the Project Provinces to ensure that the proceeds of the Interim Fund Credit used to finance goods and services made available to final beneficiaries, with the exception of such proceeds corresponding to Part C.4 and Part D of the Project, shall be onlent to the final beneficiaries on the following terms and conditions:

(i) the repayment period and grace period, and provision for payment of interest, service charges and commitment charges, shall be on the terms and conditions set out in Section 3.02 (a) (i), (ii) and (iii) of the Interim Fund Credit Agreement, provided that the relevant Project Province, the Borrower and the Administrator may agree upon alternative arrangements with respect to onlending for specified purposes, based on the requirements of specific

Project activities under Part A or Part B of the Project;

(ii) based on an evaluation of the capacity of such beneficiaries to bear such risk, an exchange rate risk fee not to exceed two percent per annum may be charged by such Project Province for any funds so onlent in the Borrower's currency; and

(iii) the final beneficiaries shall not pay interest accrued during the Project implementation period, but an amount corresponding to such accrued interest shall be added to the principal amount repayable by the final beneficiaries.

2. The Borrower shall cause each of the Project Provinces to ensure that the proceeds of the Interim Fund Credit corresponding to Part C.4 and Part D of the Project shall be onlent to the final beneficiaries on the same terms and conditions with respect to interest rates, maturity periods and grace periods as those applicable to loans for similar goods and works made by the Agricultural Development Bank of China for similar purposes in the relevant locations.

Part E: Sub-loans

1. The Borrower shall ensure that the Project Provinces shall make Sub-loans in accordance with procedures, and on terms and conditions, satisfactory to the Administrator, which shall include those set forth in this Part E.

Marketing Infrastructure Sub-loans

2. Marketing Infrastructure Sub-loans shall:

(a) be made exclusively for Marketing Sub-projects which:

(i) are located within Project Counties and have been designed to market economic tree crop production under Part B of the Project;

(ii) have been identified as priority investments in the county level marketing study to be prepared in accordance with Section 4(a) of Part C of Schedule 4, and have been determined to be financially viable and technically feasible, on the basis of a feasibility study conducted in accordance with guidelines acceptable to the Administrator; and

(iii) are estimated to cost not more than \$100,000 equivalent each; and

(b) be made exclusively to Rural Marketing Groups which shall:

(i) have established to the satisfaction of the Borrower and the relevant Project Province, on the basis of guidelines satisfactory to the Administrator, that they are creditworthy and have the capacity to implement the relevant Marketing Sub-project; and

(ii) have committed to contribute, by way of equity, not less than 25% of the total estimated cost of the Marketing Sub-project for which a Marketing Infrastructure Sub-loan is to be made.

TVE Sub-loans

3. A TVE Sub-loan shall :

(a) be made exclusively to a legal entity that:

(i) is classified as a township enterprise under the Township Enterprise Law;

(ii) is permitted to borrow funds under its charter or other

constituent document;

(iii) has independent management, separate financial statements and accounts subject to auditing by an independent auditor and following the national accounting standards introduced in China in 1993 or other accounting standards acceptable to the Administrator;

(iv) is in a position to, and has undertaken to contribute, by way of equity, not less than 25% of the total estimated cost of the TVE Sub-project for which a TVE Sub-loan is to be made to it; and

(b) be made exclusively for TVE Sub-projects which shall be located within Project Counties, and which shall each:

(i) be designed to create additional employment such that at least 50 percent of the estimated total non-managerial full-time workforce engaged on the TVE Sub-project shall be constituted by members of households below the national or provincial poverty line;

(ii) generate a financial rate of return of at least 12 percent, calculated in accordance with guidelines acceptable to the Administrator;

(iii) have been determined to be technically feasible on the basis of a feasibility study conducted in accordance with guidelines acceptable to the Administrator;

(iv) have been determined to be environmentally sustainable on the basis of an environmental assessment conducted in accordance with the Environmental Management Plan; and

(v) be labor-intensive, with an average total investment cost per worker of \$3,000 equivalent or less and a total estimated cost of not more than \$400,000 equivalent.

4. The Borrower shall cause the Project Provinces to ensure that proposals for the first TVE Sub-loan to be made in each Project Province shall be submitted to the Administrator for approval, utilizing for the purpose of an application in such form and containing such information as the Administrator shall require, and subsequent requests for authorization to make withdrawals in respect of TVE Sub-loans shall include a summary description of the TVE Sub-project, the proposed Sub-borrower and the terms and conditions of the proposed TVE Sub-loan.

General Provisions for Sub-loans

5. The Borrower shall cause the Project Provinces to ensure that the aggregate amount of all Sub-loans for a Sub-project shall not exceed 50% of the total estimated costs of such Sub-project.

6. The Borrower shall cause each Project Province to exercise its rights in relation to each Sub-project in such manner as to protect the interests of the Administrator and such Project Province and achieve the purposes of the Project.

7. Sub-loans shall be made on terms whereby the Project Province shall obtain, by written contract with the Sub-borrower to which the Sub-loan is made or by other appropriate legal means, rights adequate to protect the interests of the Administrator and the Borrower, including the right to:

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

(ii) require that:

(A) the goods and services to be financed out of the proceeds of the Interim Fund Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement; and

(B) such goods and services shall be used exclusively in the carrying out of the Sub-project;

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

(iv) require that the Sub-borrower shall take out and maintain such insurance against such risks and in such amounts, as shall be consistent with sound business practice;

(v) obtain all such information as the Administrator or the relevant Project Province shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the entity and to the benefits to be derived from the Sub-project; and

(vi) suspend or terminate the right of the Sub-borrower to the use of the proceeds of the Interim Fund Credit upon failure by such Sub-Borrower to perform its obligations under its contract with the relevant Project Province; and

8. The Borrower shall cause the Project Provinces to ensure that, in the event that involuntary resettlement of persons arising from a Sub-project cannot practically be avoided, such Sub-project shall include a resettlement plan for all said persons to be implemented by the relevant Project Province, which shall have been approved by the Administrator and shall provide that such resettlement shall be minimized and that affected persons shall:

(A) be compensated for their losses at full replacement cost prior to the actual move;

(B) be assisted with the move and supported during the transition period in the resettlement site;

(C) be assisted in their efforts to improve, or at least restore, their former living standards, income earning capacity and production levels; and

(D) be fully involved in the process of planning and implementation of resettlement.

Part F: Monitoring and Evaluation

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators specified in the Monitoring and Evaluation Plan dated March 1998 prepared by MFO for the Project (the Monitoring and Evaluation Plan), the carrying out of the Project and the achievement of the objectives thereof;

(b) ensure that SFA shall prepare, under terms of reference acceptable to the Administrator and furnish to the Administrator, semi-annual reports, not later than March 1 and September 1 in each year, beginning in March 1, 1999, integrating the results of the monitoring and evaluation activities carried out pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the dates of such reports and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such dates;

(c) ensure that SFA shall prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about June 30, 2001, a mid-term review integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(d) review with the Administrator, by August 31, 2001, or such later date as the Administrator shall request, the report referred to in paragraph (c) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

(e) ensure that SFA shall complete, by September 30, 2005, a survey of timber plantation growth under Part A of the Project and economic tree crop production under Part B of the Project, based on terms of reference acceptable to the Administrator; and furnish to the Administrator for review by December 31, 2005, a report summarizing the results of the survey and the achievement of the project production targets; and

(f) conduct a rural household survey program in all Project Provinces in accordance with the guidelines set out in the Monitoring and Evaluation Plan; and, through SFA, prepare and furnish to the Administrator for review a summary report of the rural household survey program baseline results by June 30, 1999, mid-term results by June 30, 2001, and project closing results by December 31, 2005.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) 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 Interim Fund Credit or 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 \$13,000,000 to be withdrawn from the Interim Fund Credit Account or the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$9,000,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account and the Loan Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR18,000,000.

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 Administrator 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 Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator from the Interim Fund 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 Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund Credit Account in accordance with the provisions of Article V of the General Conditions 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 thereto;

(b) if the Borrower shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section, or to the Bank pursuant to Section 3.01 of the Loan Agreement, in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Interim Fund Credit Account or the Loan Account pursuant to the provisions of Section 6.02 of the respective General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit and the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Interim Fund Credit Account and the Loan Account of the remaining unwithdrawn amount of the Interim Fund Credit and the Loan allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator shall have determined at any time that any payment out of the Special Account:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or

(ii) was not justified by the evidence furnished to the Administrator, the Borrower shall, promptly upon notice from the Administrator:

(A) provide such additional evidence as the Administrator may request; or

(B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator or the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator 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 Administrator, refund to the Administrator or the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Administrator, refund to the Administrator or the Bank all or any portion of the funds on deposit in the Special Account. (d) Refunds to the Administrator or the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Interim Fund Credit Account or the Loan Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement or the Loan Agreement, including the General Conditions applicable thereto.

