

CONFORMED COPY

LOAN NUMBER 4322 CHA

Loan Agreement

(Sustainable Coastal Resource Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 31, 1998

LOAN NUMBER 4322 CHA

LOAN AGREEMENT

AGREEMENT, dated July 31, 1998, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and the 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;

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 for Single Currency Loans" of the Bank, dated May 30, 1995, (as amended through December 2, 1997) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined

in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Allocated Amount" means, in respect of each Project Entity, an amount of the Loan allocated by the Borrower to said Project Entity to be utilized by said Project Entity for the purposes of carrying out its Respective Part of the Project.

(b) "Beneficiary" means an individual or group of individuals or an enterprise to which a Project Entity proposes to make or has made a Sub-loan.

(c) "Fujian" means the Borrower's Province of Fujian, and any successor thereto.

(d) "Jiangsu" means the Borrower's Province of Jiangsu, and any successor thereto.

(e) "Liaoning" means the Borrower's Province of Liaoning, and any successor thereto.

(f) "Shandong" means the Borrower's Province of Shandong, and any successor thereto.

(g) "Xiamen" means the Municipality of Xiamen in the Borrower's Province of Fujian.

(h) "Marine Aquaculture Items" means goods and works for the development of (i) net cages, (ii) rafts, (iii) suspension systems for bivalves, kelp, algae and laver, and (iv) clam beds under Part B of the Project.

(i) "MOA" means the Borrower's Ministry of Agriculture, and any successor thereto;

(j) "Project Area" means: (i) in respect of Fujian, all of its municipalities located along its coast; (ii) in respect of Jiangsu, its Municipality of Nantong; (iii) in respect of Liaoning, its Municipality of Yingkou; (iv) in respect of Shandong, its Municipality of Weihai; and (v) the Municipality of Xiamen; and "Project Areas" means, collectively, all of said Municipalities.

(k) "Project Entities" means, collectively, the Borrower's Provinces of Fujian, Jiangsu, Liaoning and Shandong and the Municipality of Xiamen; and "Project Entity" means, individually, any of the Project Entities.

(l) "Project Implementation Arrangement" means, in respect of each Project Entity, the arrangement to be entered into between the Borrower and said Project Entity in accordance with the provisions of Section 3.01(b) of this Agreement, as said arrangement may be amended from time to time, and such term includes all schedules and agreements or arrangements supplemental to the Project Implementation Arrangement; and "Project Implementation Arrangements" means, collectively, all of said arrangements.

(m) "Respective Part of the Project" means, in respect of each Project Entity, the activities to be carried out by said Project Entity under the Project.

(n) "Shrimp Rehabilitation Items" means goods and works required for shrimp rehabilitation trials under Part C of the Project.

(o) "Special Accounts" means the five (5) accounts referred to in Section 2.02(b) of this Agreement; and "Special Account" means any of the Special Accounts.

(p) "Sub-loan" means a loan made or proposed to be made by a Project Entity out of the proceeds of the Loan to a Beneficiary for a Subproject under Part B(2), C(2) or D(1) of the Project.

(q) "Subproject" means a specific development project to be carried out under Part B, C or D of 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, an amount equal to one hundred million Dollars (\$100,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars the following five special deposit accounts in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment: (i) one such account for the purposes of Fujian's Respective Part of the Project (the Fujian Special Account); (ii) one such account for purposes of Jiangsu's Respective Part of the Project (the Jiangsu Special Account); (iii) one such account for purposes of Liaoning's Respective Part of the Project (the Liaoning Special Account); (iv) one such account for purposes of Shandong's Respective Part of the Project (the Shandong Special Account); and (v) one such account for purposes of Xiamen's Respective Part of the Project (the Xiamen Special Account). Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2004 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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section: (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding, the next following Interest Payment Date. (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement. (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum. (iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ( $1/2$  of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause the Project Entities to carry out their Respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and technical practices and sound health, safety and environmental standards, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make available to each Project Entity said entity's respective Allocated Amount under a Project Implementation Arrangement to be entered into between the Borrower and said Project Entity under terms and conditions which shall have been approved by the Bank and which are set forth in Schedule 5 to this Agreement.

(c) The Borrower shall maintain a Project coordination office within MOA, responsible for providing overall implementation guidance and coordination services required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to this Agreement.

Section 3.03. The Borrower shall:

(a) (i) cause each Project Entity to perform, in accordance with the provisions of the Project Implementation Arrangement to which it is a party, all of the obligations of said Project Entity 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 Entity to perform such obligations; and

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

(b) exercise its rights under each of the Project Implementation Arrangements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any of the Project Implementation Arrangements or any provision thereof.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower, through MOA, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank and furnish to Bank 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 Bank, a plan, consolidating the plans prepared by the Project Entities and furnished to the Borrower pursuant to Section II, Part F.4 of Schedule 5 to this Agreement, designed to ensure the continued sustainability of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the

Borrower on said plan.

#### ARTICLE IV

##### Financial Covenants

Section 4.01 (a) The Borrower shall cause each Project Entity to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures related to the Project.

(b) The Borrower shall cause each Project Entity to:

(i) have its records and accounts including the records and accounts for its respective Special Account 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 (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

(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 the Project Entities 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 expenditures 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 Bank

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

(a) Any party to any of the Project Implementation Arrangements shall have failed to perform its obligations thereunder.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any party to any of the Project Implementation Arrangements will be able to perform its obligations thereunder.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01(a) of this Agreement shall occur and shall continue for a period of 60 days after

notice thereof shall have been given by the Bank to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, that a Project Implementation Arrangement has been executed on behalf of the Borrower and each Project Entity.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Implementation Arrangement between the Borrower and each Project Entity has been duly authorized or ratified by the Borrower and said Project Entity and is legally binding upon the Borrower and said Project Entity in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

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:

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jane Loos

Authorized Representative

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 Dollars)	% of Expenditures to be Financed
(1) For Fujian's Respective Part of the Project:		
(a) Civil works (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	14,200,000	50%
(b) Marine Aquaculture Items and Shrimp Rehabilitation Items	34,400,000	45%
(c) Goods (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	13,100,000	100% of foreign expenditures; 100% of local expendi- tures (ex-factory cost); and 75% of local expenditures for other items procured locally
(d) Consultants' services and training	1,000,000	100%
(e) Unallocated for Fujian's Respective Part of the Project	1,650,000	
(2) For Jiangsu's Respective Part of the Project:		
(a) Civil works (excluding Marine Aquaculture Items)	5,400,000	50%
(b) Marine Aquaculture Items	3,200,000	45%

	(c) Goods (excluding Marine Aquaculture Items)	1,300,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
	(d) Consultants' services and training	100,000	100%
(3)	For Liaoning's Respective Part of the Project:		
	(a) Civil works (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	4,400,000	50%
	(b) Marine Aquaculture Items and Shrimp Rehabilitation Items	2,900,000	45%
	(c) Goods (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	1,900,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
	(d) Consultants' services and training	400,000	100%
	(e) Unallocated for Liaoning's Respective Part of the Project	400,000	
(4)	For Shandong's Respective Part of the Project:		
	(a) Civil works (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	4,000,000	50%
	(b) Marine Aquaculture Items and Shrimp Rehabilitation Items	3,100,000	45%
	(c) Goods (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	2,600,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
	(d) Consultants' services and training	100,000	100%
	(e) Unallocated for Shandong's Respective Part of the Project	200,000	



(5)	For Xiamen's Respective Part of the Project:		
	(a) Civil works (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	1,200,000	50%
	(b) Marine Aquaculture Items and Shrimp Rehabilitation Items	1,800,000	45%
	(c) Goods (excluding Marine Aquaculture Items and Shrimp Rehabilitation Items)	2,400,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
	(d) Consultants' services and training	70,000	100%
	(e) Unallocated for Xiamen's Respective Part of the Project	1,650,000	
	TOTAL	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 Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$10,000,000 may be made on account of payments made for expenditures before that date but after December 1, 1997.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$250,000 equivalent; (b) works under contracts costing less than \$3,000,000 equivalent; (c) consultants' services under contracts awarded to firms costing less than \$100,000; (d) consultants' services under contracts awarded to individuals costing less than \$50,000; and (e) training, Marine Aquaculture Items and Shrimp Rehabilitation Items, regardless of the cost thereof, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in: (1) supporting the environmentally sustainable development of the Borrower's coastal resources in selected areas of the Project Entities; (2) reducing pressure on the coastal fishery resources in these areas; and (3) improving the quality of aquatic products from these areas.

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: Coastal Zone Management

Carrying out of a program to develop and introduce coastal zone management plans in the Project Areas, including:

- (1) development of appropriate institutional arrangements for coastal zone management and establishment of centers and/or stations for fish disease control and environmental management, and support for endangered aquatic animal species protection, including construction of facilities and provision of equipment required therefor;
- (2) assessment of existing resource use in coastal areas and preparation of coastal zone management plans, and provision of computer hardware and software required therefor;
- (3) analysis of environmental data from coastal zones, and provision of equipment and training required therefor;
- (4) provision of fishery surveillance vessels and equipment required for environmental monitoring and stock assessment; and
- (5) establishment of a coastal forest protection belt in the Municipality of Nantong in Jiangsu, including construction of facilities and provision of goods required therefor.

Part B: Sustainable Marine Aquaculture

Development of environmentally sustainable marine aquaculture systems in the Project Areas, through: (1) the provision to farmers, on credit terms, of equipment, materials, facilities and services for specific projects to expand their aquaculture activities; and (2) the provision to farmers and enterprises, of loans to finance specific projects to develop and expand their aquaculture activities.

Part C: Shrimp Pond Rehabilitation

Carrying out and evaluation of specific trial projects to develop environmentally sustainable methods of cultivation of shrimp and other seafood in existing shrimp ponds in the Project Areas, through: (1) the provision to farmers, on credit terms, of equipment, materials, facilities and services required for such projects; and (2) the provision to farmers and enterprises, of loans to finance such projects.

Part D: Aquatic Product Quality and Safety

- (1) Financing of specific projects to upgrade and expand storage, packaging, processing and marketing facilities for aquatic products in the Project Areas, in order to improve the quality and safety of said products, through the provision of loans to enterprises for said purposes.
- (2) Provision of training to seafood quality inspectors and seafood handlers to improve their capabilities in the analysis and prevention of seafood safety hazards.

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The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
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February 15, 2004	2,115,000
August 15, 2004	2,175,000
February 15, 2005	2,240,000
August 15, 2005	2,310,000
February 15, 2006	2,375,000
August 15, 2006	2,445,000
February 15, 2007	2,520,000
August 15, 2007	2,595,000
February 15, 2008	2,670,000
August 15, 2008	2,750,000
February 15, 2009	2,830,000
August 15, 2009	2,915,000
February 15, 2010	3,000,000
August 15, 2010	3,090,000
February 15, 2011	3,180,000
August 15, 2011	3,275,000
February 15, 2012	3,375,000
August 15, 2012	3,475,000
February 15, 2013	3,575,000
August 15, 2013	3,685,000
February 15, 2014	3,790,000
August 15, 2014	3,905,000
February 15, 2015	4,020,000
August 15, 2015	4,140,000
February 15, 2016	4,260,000
August 15, 2016	4,390,000
February 15, 2017	4,520,000
August 15, 2017	4,655,000
February 15, 2018	4,790,000
August 15, 2018	4,935,000

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\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Sections 4.04 (d) of the General Conditions.

#### SCHEDULE 4

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in respect of: (i) the Fujian Special Account, Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement (the Fujian Eligible Category); (ii) the Jiangsu Special Account, Category (2) set forth in said table (the Jiangsu Eligible Category); (iii) the Liaoning Special Account, Category (3) set forth in said table (the Liaoning Eligible Category); (iv) the Shandong Special Account, Category (4) set forth in said table (the Shandong Eligible Category); and (v) the Xiamen Special Account, Category (5) set forth in said table (the Xiamen Eligible Category);

(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: (i) in respect of the Fujian Special Account, an amount equivalent to \$6,000,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals from the Loan Account allocated to the Fujian Eligible Category, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of said category shall be equal to or exceed the equivalent of \$20,000,000; (ii) in respect of the Jiangsu Special Account, an amount equivalent to \$800,000, to be withdrawn from

the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Loan Account allocated to the Jiangsu Eligible Category, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of said category shall be equal to or exceed the equivalent of \$3,000,000; (iii) in respect of the Liaoning Special Account, an amount equivalent to \$800,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Loan Account allocated to the Liaoning Eligible Category, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of said category shall be equal to or exceed the equivalent of \$3,000,000; (iv) in respect of the Shandong Special Account, an amount equivalent to \$800,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Loan Account allocated to the Shandong Eligible Category, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of said category shall be equal to or exceed the equivalent of \$3,000,000; and (v) in respect of the Xiamen Special Account, an amount equivalent to \$400,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Loan Account allocated to the Xiamen Eligible Category, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of said category shall be equal to or exceed the equivalent of \$2,000,000.

2. Payments out of the Special Accounts 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 a Special Account has been duly opened, withdrawals of said Special Account's Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the 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 Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for

eligible expenditures.

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

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

(b) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for any Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to said Special Account's respective eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of said Special Account's respective eligible Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Accounts 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 a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into said Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

#### SCHEDULE 5

##### Project Implementation Arrangements

The provisions of this Schedule shall apply for the purposes of Section 3.01(b) of this Agreement.

##### I. Terms of Availability of the Allocated Amounts

The Borrower shall make available to each Project Entity its respective Allocated Amount on the following principal terms.

A. The principal amount of the Allocated Amount made available to said Project Entity which shall be recovered by the Borrower from said entity:

(a) shall be the equivalent in terms of Dollars (determined as of the date, or respective dates, of withdrawal from the Loan Account or payment out of the respective Special Account) of the value of the currency or currencies so withdrawn or paid out in respect of expenditures for said entity's Respective Part of the Project to be financed out of the proceeds of the Loan (the Dollar Amount); and

(b) shall be recovered by the Borrower in an amount equivalent to the Dollar Amount (determined as of the date or respective dates of recovery).

B. The Borrower shall recover from said Project Entity said entity's respective Dollar Amount in semi-annual equal installments over a period of 20 years, inclusive of a grace period of 5 years.

C. The Borrower shall collect from said Project Entity interest on the principal amount of said entity's respective Allocated Amount withdrawn and outstanding from time to time at a rate equal to the interest rate payable by the Borrower from time to time pursuant to Section 2.05(a) of this Agreement.

D. The Borrower shall charge said Project Entity a commitment fee on the principal amount of said entity's Allocated Amount not withdrawn from time to time at a rate equal to three fourths of one percent (0.75%) per annum.

## II. Conditions of Availability of the Allocated Amounts

The Borrower shall make available to the Project Entity their respective Allocated Amounts on conditions whereby each Project Entity shall be obligated to perform the following.

### A. General

1. Each Project Entity shall furnish to the Bank for the Bank's prior approval, the program which it proposes to include in the Project as its Respective Part of the Project. Such program shall qualify as said Project Entity's Respective Part of the Project eligible for financing out of the proceeds of the Loan only if and to the extent the Bank shall have notified the Borrower and said Project Entity of the Bank's approval of said program.

2. Each Project Entity shall carry out its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and technical practices and sound health, safety and environmental standards, and provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

3. Except as the Bank shall otherwise agree, each Project Entity shall ensure that procurement of the goods, works, and consultants' services required for its Respective Part of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to this Agreement.

4. Each Project Entity shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of the Loan, or the performance by said Project Entity of its obligations under the Project Implementation Arrangement to which it is a party.

### B. Project Management

In order to ensure the proper carrying out of its Respective Part of the Project, each Project Entity shall at all times continue to maintain, with terms of reference, membership (or staffing, as the case may be) and other resources acceptable to the Bank:

1. a leading group, headed by a Vice Governor or Vice Mayor, to be responsible for

providing policy guidance on issues raised under its Respective Part of the Project;  
and

2. a project management office to be responsible for the overall management of its Respective Part of the Project, including coordination of procurement where appropriate, and monitoring and evaluation of progress in implementing said Respective Part of the Project.

C. Part A of the Project (Coastal Zone Management)

In order to ensure the proper coordination of coastal zone management in the Project Areas and under Part A(1) of the Project, each Project Entity shall:

1. at all times continue to maintain a steering committee headed by a Vice Governor or Vice Mayor, with terms of reference, membership and other resources acceptable to the Bank, to be responsible for overall coordination and provision of policy guidance on issues of coastal zone management in said Project Area;

2. (excluding Jiangsu and Xiamen) establish, in accordance with a schedule acceptable to the Bank, and thereafter at all times maintain, a coastal zone management center, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for coastal zone management of said Project Area; and

3. develop a coastal zone management plan for its respective Project Area in accordance with a program acceptable to the Bank.

D. Parts B, C and D of the Project (Subprojects)

1. Resettlement

If any Subproject to be carried out in the territory of a Project Entity would involve the involuntary resettlement of persons, said Project Entity shall ensure that all such persons shall be resettled prior to the implementation of said Subproject in accordance with a resettlement plan approved by the Bank, which shall have been designed on the basis of policies, planning principles, institutional arrangements and design criteria acceptable to the Bank, so as to improve the living standards and production levels of said persons.

2. Marine Aquaculture and Shrimp Pond Rehabilitation Subprojects Carried out by Farmers

Each Project Entity shall ensure that the goods and services required for Subprojects under Parts B(1) and C(1) of the Project that are included in its Respective Part of the Project and are to be financed out of the proceeds of the Loan, shall be made available to farmers in accordance with procedures acceptable to the Bank and on the following terms and conditions.

(a) Said goods and services shall be made available exclusively:

(i) to farmers who have established to the satisfaction of said Project Entity, on the basis of guidelines acceptable to the Bank, that they:

(A) are creditworthy;  
(B) possess the technical skills required for the carrying out of their respective Subprojects; and  
(C) have undertaken to use said goods and services exclusively for the purposes of the Subproject for which said goods and services are made available, and in accordance with implementation guidelines acceptable to the Bank;

(ii) for Subprojects which said Project Entity has determined, on the basis of guidelines acceptable to the Bank, have been designed and are located in such a manner as to be:

(A) technically feasible;

(B) commercially viable; and

(C) in compliance with sound health, safety and environmental standards acceptable to the Bank, and, in the case of a Subproject for shrimp pond rehabilitation under Part C of the Project, to have good prospects for successful rehabilitation as indicated by a biophysical audit carried out in accordance with guidelines acceptable to the Bank.

(b) The amount of the Loan used to finance said goods and services made available to said farmers shall be repaid by said farmers to the Project Entity over a period not to exceed 15 years (inclusive of a grace period not to exceed 5 years) at an interest rate of not less than the rate payable by the Project Entity to the Borrower pursuant to Section 3.01(b) of the Loan Agreement. The amount so repayable by said farmers shall be the equivalent in the currency of the Borrower (determined on the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of the cost of said goods and services.

3. Marine Aquaculture, Shrimp Pond Rehabilitation, and Aquatic Product and Safety Subprojects Carried out by Enterprises Each Project Entity shall ensure that:

(a) Sub-loans under Parts B(2), C(2) and D(1) of the Project shall be appraised and monitored in accordance with policies and procedures acceptable to the Bank; and

(b) said Sub-loans shall be made in accordance with procedures and on terms and conditions acceptable to the Bank, which shall include those set forth in the Annex to this Schedule.

4. Each Project Entity shall:

(a) exercise its rights in relation to each Subproject within its respective Project Area in such manner as to protect the interests of the Bank, the Borrower and said Project Entity, comply with its obligations under this Agreement and achieve the purposes of the Project; and

(b) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any portions thereof, without the prior approval of the Bank.

E. Financial Management

1. Each Project Entity shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the carrying out of its Respective Part of the Project.

2. Each Project Entity shall:

(a) have its records and accounts including the records and accounts for its respective Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) 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.

3. For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, each Project Entity shall:

(a) maintain, in accordance with Section 1 of this Part E, records and accounts reflecting such expenditures;



(b) 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;

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

(d) ensure that such records and accounts are included in the annual audit referred to in Section 1 of this Part E and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures 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.

#### F. Monitoring and Evaluation

1. Each Project Entity shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of its Respective Part of the Project and the achievement of the objectives thereof.

2. Each Project Entity shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank:

(a) semi-annual reports, not later than July 31 and January 31 in each year, summarizing the monitoring and evaluation activities performed by it pursuant to Section 1 of this Part in respect of the preceding calendar semester, and setting out the measures recommended to ensure the efficient carrying out of its Respective Part of the Project and the achievement of the objectives thereof during the then current calendar semester; and

(b) a mid-term report, not later than June 30, 2001, summarizing the monitoring and evaluation activities carried out by it pursuant to Section 1 of this Part in respect of the period preceding the date thereof, and setting forth the measures recommended to ensure the efficient completion of its Respective Part of the Project and the achievement of the objectives thereof during the period following said date. 3. After furnishing each report referred to in paragraph 2 of this Section, each Project Entity shall review said report with the Bank, and promptly take all measures required to ensure the efficient completion of its Respective Part of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

4. Each Project Entity shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Borrower not later than five (5) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and said Project Entity, for consolidation and forwarding to the Bank pursuant to Section 3.04 of this Agreement, a plan designed to ensure the sustainability of its Respective Part of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with said Project Entity on said plan.

#### ANNEX to SCHEDULE 5 Sub-loans

##### A. Enterprise Eligibility Criteria

Each Sub-loan for a Subproject to be carried out in the territory of a Project Entity shall be made exclusively to a Beneficiary which shall have established to the satisfaction of said Project Entity, on the basis of guidelines acceptable to the Bank, that:

1. it is an individual, a farming household or an entity possessing legal person status, with authority to borrow and carry out said Subproject;

2. it is creditworthy and has a sound financial structure;

3. it has the organization, management, staff and other resources required for the efficient carrying out of its operations, including the Subproject; and

4. in the case of a Sub-loan under Part D(1) of the Project:

(a) its financial performance for the three years preceding its application for a Sub-loan has been satisfactory; and

(b) upon full implementation of its Subproject, at least 30% of its raw materials are expected to be cultured aquatic products, and at least 10% of its output is expected to be exported abroad.

#### B. Subproject Eligibility Criteria

Each Sub-loan made by a Project Entity shall be for a Subproject which said Project Entity shall have determined, on the basis of an appraisal carried out in accordance with guidelines acceptable to the Bank, meets the following requirements:

1. The Subproject is technically feasible, and economically, financially and commercially viable, and, in the case of a Subproject under Part C of the Project, a biophysical audit of the shrimp ponds has been carried out in accordance with guidelines acceptable to the Bank and indicates good prospects for successful rehabilitation.

2. The Subproject has been designed and is located in such a manner as to be in compliance with sound health, safety and environmental guidelines acceptable to the Bank, including, in the case of a Subproject for the upgrading or expansion of a seafood processing facility or net cages, on the basis of an environmental assessment carried out in accordance with guidelines acceptable to the Bank; and if the Subproject is expected to involve the involuntary resettlement of persons, a resettlement plan for said persons has been developed in accordance with the provisions of Section II, Part D.1 of this Schedule.

3. In the case of a Subproject to develop a seafood processing or marketing facility, the Subproject is for the expansion or upgrading of an existing such facility.

#### C. Terms of Sub-loans

Sub-loans shall be made on the following principal terms: 1. The principal amount of each Sub-loan repayable by the Beneficiary thereof to the Project Entity making said Sub-loan shall be the equivalent in terms of dollars (determined on the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account, on account of the cost of the goods and services for the Subproject for which said Sub-loan is made, and shall be repaid over a period not to exceed 15 years (inclusive of a grace period not to exceed 5 years).

2. Each Beneficiary of a Sub-loan shall pay to the Project Entity making said Sub-loan: (a) interest on the principal amount thereof withdrawn and outstanding from time to time at an annual rate not less than the rate payable by the Project Entity to the Borrower pursuant to Section I, Part C of this Schedule; and (b) a commitment charge at the rate of 0.75% per annum on the principal amount of said Sub-loan not withdrawn from time to time.

#### D. Conditions of Sub-loans

1. Each Sub-loan to a Beneficiary shall be made by a Project Entity on conditions whereby said Beneficiary shall be obligated to perform the following:

(a) The Beneficiary shall carry out its operations, including its Subproject, with due diligence and efficiency, in accordance with sound technical, financial and managerial practices, and consistent with sound health, safety and environmental guidelines acceptable to the Bank, and provide promptly as needed the funds and other resources required for the purpose, and maintain adequate records and accounts.

(b) If its Subproject involves the involuntary resettlement of persons, the Beneficiary shall take and cause to be taken all measures necessary to ensure that all such persons shall be resettled in accordance with the resettlement plan referred to in Part B.2 of this Annex.

(c) The Beneficiary shall procure the goods and services required for its respective Subproject in accordance with the provisions of Schedule 6 to this Agreement, and utilize said goods and services exclusively in the carrying out of said Subproject.

(d) The Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover the hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be payable in a currency freely usable by the enterprise to replace or repair such goods.

(e) The Beneficiary shall enable the Bank to inspect the goods and the sites and works included in its respective Subproject, the operation thereof and any relevant records and documents.

(f) The Beneficiary shall at all times maintain and operate its equipment and facilities, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and industry practices.

(g) The Beneficiary shall furnish to the Bank all such information as the Bank may reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from its Subproject.

2. Each Project Entity shall suspend the right of the Beneficiary to which it has made a Sub-loan to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract with said Project Entity.

## SCHEDULE 6

### Procurement

#### Section I. Procurement of Goods 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 in September 1997 (the Guidelines) and the following provisions of this Section.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 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 shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

##### (b) Preference for domestically manufactured goods

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, excluding the Hong Kong Special Administrative Region.

Part C: Other Procurement Procedures

1. Works

(a) National Competitive Bidding

Except as otherwise provided in Section 3 of this Part C, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Advertising

Notwithstanding the provisions of Section 3.4 of the Guidelines, the invitation to prequalify or bid for each contract for works estimated to cost less than \$1,000,000 equivalent may be advertised in the provincial-level press of the Project Entity in which said works are to be carried out, with a summary thereof advertised in the national press.

2. Goods

(a) International Shopping

Except as otherwise provided in Section 3 of this Part C, goods (excluding vehicles) estimated to cost less than \$250,000 equivalent per contract but not less than \$100,000 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.

(b) National Shopping

Except as otherwise provided in Section 3 of this Part C, goods (excluding vehicles) estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of national shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Marine Aquaculture Items and Shrimp Rehabilitation Items

Marine Aquaculture Items and Shrimp Rehabilitation Items may be procured at a reasonable price, account being taken also of other relevant factors, such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them.

Part D: Review by the Bank 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 Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for goods estimated to cost the equivalent of \$250,000 or more; and (ii) each contract for works estimated to cost the equivalent of \$3,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods to be procured in accordance with the provisions of Part C.2 (a) of this Section, the following procedures shall apply: (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received; (ii) prior to the execution of any contract procured under shopping

procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and (iii) the procedures set forth in paragraphs 2(f), 2(g) 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 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for tasks 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 Bank 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 Bank 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 Bank, 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 and (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 Bank 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.



