

CONFORMED COPY

CREDIT NUMBER 3169 CHA

Development Credit Agreement

(Yangtze Flood Emergency Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 11, 1999

CREDIT NUMBER 3169 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 11, 1999, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by 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 forty million Dollars (\$40,000,000) (the Loan);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the 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

(D) the Project will be carried out by the Borrower's Provinces of Hubei, Hunan and Jiangxi (the Project Provinces) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project Provinces the proceeds of the Credit as provided in this Agreement and the proceeds of the Loan as provided in the Loan Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, the Bank and the Project Provinces;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "Affected Person" means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently, or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

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

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

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

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

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

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

(i) "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.

(j) "Project Agreement" means the agreement among the Association, the Bank and the Project Provinces of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(k) "Project Areas" means, in respect of each Project Province, the areas within said Project Province, selected by agreement between the Association and said Project Province, in which the Project is to be carried out; and "Project Area" means any of the Project Areas.

(l) "Project Beneficiaries" means, in respect of each Project Province, the prefectures, counties and townships selected by agreement between the Association and said Project Province in which the relevant Respective Part of the Project is to be carried out.

(m) "Respective Part of the Project" means, in respect of: (i) Hubei, Part A of the Project; (ii) Hunan, Part B of the Project; and (iii) Jiangxi, Part C of the Project.

(n) "Special Accounts" means, collectively, the Hubei Special Account, the Hunan Special Account and the Jiangxi Special Account; and "Special Account" means any of the Special Accounts.

(o) "Subproject" means a specific reconstruction or restoration project to be carried out in a Project Province under Part A(1), Part B(1) or Part C(1) of the Project and to be financed out of the proceeds of the Credit or the Loan.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty eight million nine hundred thousand Special Drawing Rights (SDR 28,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association 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 Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain the following three special accounts in Dollars in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) one for Hubei's Respective Part of the Project, (ii) another for Hunan's Respective Part of the Project and (iii) a third, for Jiangxi's Respective Part of the Project. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Association shall establish. The Association 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 Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or 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 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 Credit in semiannual installments payable on each April 15 and October 15 commencing April 15, 2009 and ending October 15, 2033. Each installment to and including the installment payable on October 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 Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the 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 Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the 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 Association 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 Association 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 Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

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 the Development Credit Agreement, shall cause the Project Provinces to carry out the Project in accordance with the provisions of the Project Agreement, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable the Project Provinces to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purpose of having each Project Province carry out its Respective Part of the Project, the Borrower shall make available to each Project Province part of the proceeds of the Credit on the following principal terms:

(i) the principal amount so made available to said Project Province shall be the equivalent in terms of Special Drawing Rights (determined as of the date, or respective dates, of withdrawal from the Credit Account) of the value of the currency or currencies so withdrawn on account of the cost of items required for said Project Province's Respective Part of the Project and to be financed out of the proceeds of the Credit (the Credit Amount), and shall be recovered by the Borrower in Dollars;

(ii) the Borrower shall recover the Credit Amount from said Project Province in semi-annual installments over a period of 17 years, inclusive of a grace period of 5 years;

(iii) the Borrower shall charge interest on the Credit Amount withdrawn and outstanding from time to time at a rate which shall not exceed the charge payable by the Borrower from time to time pursuant to Section 2.05 of this Agreement; and

(iv) the Borrower shall charge a commitment fee on the principal amount of the Credit so made available and not withdrawn from time to time at a rate which shall not exceed one-half of one percent (1/2 of 1%).

Section 3.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03 The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A, B and C of the Project shall be carried out by Hubei, Hunan and Jiangxi, respective, pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

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

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

expenditures;

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

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

(b) The Borrower shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six (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 Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Any Project Province shall have failed to perform any of its obligations under the Project Agreement.

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

Section 5.02. Pursuant to Section 7.01(h) 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 Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that all conditions precedent to the effectiveness of the Loan Agreement, except only the effectiveness of the 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 Association, namely, that the Project Agreement has been duly authorized or ratified by each Project Province and is legally binding upon said Project Province 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 Association:

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/ Li Zhaoxing

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Michel Severino

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Loan

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in \$)	% of Expenditures to be Financed
(1) Works:			
(a) for Part A of the Project	8,430,000	10,315,000)	65%
(b) for Part B of the Project	9,280,000	12,518,000)	
(c) for Part C of the Project	9,300,000	12,597,000)	
(2) Goods:			
(a) for Part A of the Project	1,320,000	2,650,000)	100% of foreign expenditures,
(b) for Part B of the Project	290,000	400,000)	100% of local expenditures (ex- factory costs) and
(c) for Part C of the Project	280,000	320,000)	75% of local expenditures for other items procured locally
(3) Consultants' service:			100%
(a) for Part A of the Project		400,000)	
(b) for Part B of the Project		200,000)	
(c) for Part C of the Project		200,000)	
(4) Fee		400,000	Amount due under Section 2.04 of the Loan Agreement
TOTAL	28,900,000	40,000,000	

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 "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 SDR 11,542,000 may be made on account of payments made for expenditures before that date but after September 16, 1998.

4. The Association may require withdrawals from the Credit Account and Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$200,000 equivalent each; (b) works under contracts costing less than \$2,000,000 equivalent each; (c) consulting services under contracts awarded to consulting firms and costing less than \$100,000 each; and (d) consulting services under contracts awarded to individuals and costing less than \$50,000 each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in rebuilding economic and social infrastructure damaged by floods in Hubei, Hunan and Jiangxi, thereby facilitating the restoration of economic and social activities.

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

Part A: Hubei

(1) Carrying out of the following specific reconstruction and restoration projects:

(a) Road and Bridge Reconstruction and Restoration Reconstruction and restoration in 10 Project Areas of Hubei of approximately 130 kilometers of roads and 2 bridges.

(b) Water Supply Reconstruction and Restoration Reconstruction and Restoration of about 7 water plants in the Project Areas of Hubei.

(c) School Reconstruction and Restoration Reconstruction and restoration of approximately 38 schools in the Project Areas of Hubei.

(d) Hospital, Health Center and Clinic Reconstruction and Restoration Reconstruction and restoration of about 32 hospitals, health centers and clinics in the Project Areas of Hubei.

(e) Irrigation and Drainage Reconstruction and Restoration Reconstruction and restoration of irrigation and drainage facilities in approximately 18 Project Areas of Hubei.

(2) Flood Control Management Development of a Decision Support System (DSS) to evaluate and optimize options for flood management with relation to flood protection levels of Yangtze River dikes and flood diversion into flood detention areas.

Part B: Hunan

(1) Carrying out of the following specific reconstruction and restoration projects:

(a) Road Reconstruction and Restoration Reconstruction and Restoration in 25 Project Areas of Hunan of approximately 465 kilometers of roads and 3 bridges.

(b) Water Supply Reconstruction and Restoration Reconstruction and Restoration of about 18 water plants in the Project Areas of Hunan.

(c) School Reconstruction and Restoration Reconstruction and restoration of about 28 schools in the Project Areas of Hunan.

(d) Hospital, Health Center and Clinic Reconstruction and Restoration Reconstruction and restoration of about 18 hospitals, health centers and clinics in the Project Areas of Hunan.

(2) Flood Control Management Development of a computerized model for flood forecasting, simulation and dispatch of the Zhi River system.

Part C: Jiangxi

(1) Carrying out of the following specific reconstruction and restoration projects:

(a) Road and Bridge Reconstruction and Restoration Reconstruction and restoration of approximately 351 kilometers of 49 roads and 926 bridges and culverts in 12 Project Areas in Jiangxi.

(b) Water Supply Reconstruction and Restoration Reconstruction and Restoration of about 30 water plants in 11 Project Areas in Jiangxi.

(c) School Reconstruction and Restoration Reconstruction and restoration of about 133 schools in the Project Areas of Jiangxi.

(d) Hospital, Health Center and Clinic Reconstruction and Restoration Reconstruction and Restoration of about 93 hospitals, health centers and clinics in 12 Project Areas in Jiangxi.

(2) Flood Control Management Development of a computerized model for flood forecasting, simulation and dispatch of the Gan and Xiu River systems.

* * *

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in respect of the Hubei Special Account, Categories 1(a), 2(a) and 3(a); (ii) in respect of the Hunan Special Account, Categories 1(b), 2(b) and 3(b); and (iii) in respect of the Jiangxi Special Account, Categories 1(c), 2(c) and 3(c);

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

(c) the term "Authorized Allocation" means, in respect of each of the Special Accounts, an amount equivalent to \$5,000,000 to be withdrawn from the Credit Account or the Loan Account and deposited into said Special Account pursuant to paragraph 3(a) of this Schedule. 2. Payments out of each Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation for said Special Account 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 Association a request or requests for deposit into said 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Loan Account and deposit into said Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required

pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Loan Account and deposit into said 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 said Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account and 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 Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of the Development Credit 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 Association, 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 Association 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 said Special Account;

(c) if, at any time, the Association 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 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 Credit and Loan allocated to the eligible Categories for said Special Account, minus the total amount of all outstanding special commitments entered into by the Association or the Bank in respect of the relevant Project Province's Respective Part of the Project pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation for said special Account. Thereafter, withdrawal from the Credit Account and the Loan Account of the remaining unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in such Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into said Special Account (or, if the Association shall so request, refund to the Association or the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into said Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

refund to the Association or the Bank such outstanding amount.

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

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

