

CONFORMED COPY

CREDIT NUMBER 3212 CHA

Development Credit Agreement

(Fourth Technical Cooperation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 27, 1999

CREDIT NUMBER 3212 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 27, 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 an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to ten million dollars (\$10,000,000) (the Loan); and

(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

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;

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) "Implementing Agency" means, in respect of a Subproject, the agency or department of the Borrower or of a subdivision of the Borrower, responsible for implementing said Subproject; and "Implementing Agencies" means, collectively, all of said agencies, departments and subdivisions.

(b) "International Affairs Department" means MOF's International Affairs Department, and any successor thereto.

(c) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997) as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

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

(e) "Subproject" means a specific program or subproject to be carried out by an Implementing Agency under Part A or Part B of the Project.

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

## 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 five million seven hundred thousand Special Drawing Rights (SDR25,700,000).

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 a special account 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. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2005 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 January 15 and July 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 January 15 and July 15 commencing July 15, 2009 and ending January 15, 2034. Each installment to and including the installment payable on January 15, 2019 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, shall carry out the Project, through the Implementing Agencies, with due diligence and efficiency and in conformity with appropriate financial, economic, technical and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions referred to in Section 1.01 of the Development Credit Agreement and Section 9.08 of the General Conditions referred to in Section 1.01 of the Loan Agreement, and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Association and the Borrower, a plan for the continued achievement of the Project's objectives; and

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

### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

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

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

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

(c) 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 paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

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

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions 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 have been fulfilled, except only the effectiveness of this Agreement.

Section 5.02. The date 90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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:

Telex:

FINANMIN

22486 MFPRC CN

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

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 Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yukon Huang

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and of the Loan

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

Category Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in dollars)	% Expenditures to be
(1) Goods: foreign			)100% of
)expenditures; 100%			)of
(a) under Part A	3,450,000	-	)of
local expenditures of the Project			) (ex-factory
cost); and			)75% for
other items			
(b) under Part B	510,000	1,600,000	
)procured locally			



- (1) Development and carrying out of technical assistance and training programs to strengthen the capabilities of national, provincial and local agencies in project implementation, said programs to focus on project management, risk management, financial analysis, cost-benefit analysis, procurement and disbursement, and to include the provision of equipment and software required therefor.
- (2) Development and utilization by the Borrower's Academy of Social Sciences of improved regional and sectoral economic forecasting models, including the provision of computer hardware and software required therefor.
- (3) Development and implementation by the Borrower's National School of Administration of a national training program for civil servants in market economics, through the development and implementation of teacher-training programs, carrying out of comparative studies of market economies and economic management functions of governments in market economies, and provision of equipment.
- (4) Development and utilization by the Borrower's Academy of Sciences of regional models for the anticipation and management of natural disasters, so as to prevent and limit damage caused by such disasters, including the provision of computer hardware and software required therefor.
- (5) Carrying out of a study by the Borrower's Province of Guizhou to restructure and strengthen its county-level government administration and to develop a master plan for the alleviation of poverty in said province; and provision of computer hardware and software required therefor.
- (6) Development and introduction in the Yangling Demonstration Zone of the Borrower's Province of Shaanxi, of an agricultural science and technology information network, including the establishment of a data bank and provision of computer systems and software required therefor.
- (7) Implementation of additional selected technical assistance projects designed to strengthen the institutional capabilities of the Borrower's departments and agencies to develop and implement economic policy reforms.

Part B: Preinvestment and Project Preparation Support

Carrying out of selected subprojects to prepare feasibility studies for investment projects proposed for financing by the Bank and other donor agencies, including the provision of equipment required therefor.

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The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with:

(a) 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, September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and

(b) the provisions of the following Parts of this Section I.

2. For the purposes of the procurement of goods to be financed in whole or in part out of the proceeds of the Credit, the references in paragraphs 1.6 and 1.8 of the Guidelines to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".



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 \$200,000 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 of the Borrower).

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent, but not less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$7,800,000 equivalent, 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.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply. 3. Post Review With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) 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 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. For the purposes of the procurement of consultants' services to be financed in

whole or in part out of the proceeds of the Credit, the references in paragraph 1.10 of the Consultant Guidelines to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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 Association 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 Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

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

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

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

A. Project Management

In order to ensure the proper coordination and management of the Project, the Borrower shall:

1. at all times continue to maintain with terms of reference, membership and resources acceptable to the Association, a Project management office, headed by the Director-general of the International Affairs Department, to be responsible for

ensuring overall management and supervision of the Project and coordination of the Implementing Agencies; and

2. employ not later than September 30, 1999, and thereafter at all times maintain, a Project coordinator with terms of reference, qualifications and experience acceptable to the Association, who shall report to the Director of the Technical Assistance and Human Resources Development Division of the International Affairs Department, and who shall be responsible for the day-to-day administrative aspects of Project management.

B. Subprojects

1. Eligibility

Each program and subproject proposed for inclusion in Part A(1), A(7) or B of the Project shall qualify as a Subproject eligible for financing out of the proceeds of the Credit only if it meets the following requirements:

(a) the Subproject's Implementing Agency has furnished to the Borrower a proposal for the Subproject prepared in accordance with guidelines acceptable to the Association, said proposal to include the following information:

(i) a detailed description of the objectives, activities and expected benefits of the Subproject;

(ii) the responsibilities of the Implementing Agency in respect of the Subproject, including staffing arrangements and arrangements for the provision of office, transportation and other facilities for the Subproject;

(iii) the proposed procurement plan for the Subproject, including proposed procurement procedures, training program and terms of reference, qualifications and duration of employment of any consultants proposed to be engaged under the Subproject; a detailed description of the expenditures proposed to be financed out of the proceeds of the Credit, an estimate of the foreign and local costs of the different items of expenditures required for the Subproject, a proposed financing plan for the Subproject and a proposed disbursement plan for the Subproject;

such other information as the Borrower and the Association may reasonably request;

(b) the Borrower has determined, on the basis of an appraisal of said proposal, carried out in accordance with guidelines acceptable to the Association, that:

(i) the Subproject is a high priority for the Borrower;

(ii) in the case of a Subproject under Part A of the Project, the Subproject is designed to support the Borrower's economic reform program;

(iii) the Subproject's Implementing Agency has the organization, management, staff and other resources required for the efficient and effective carrying out of the Subproject; and the Subproject's Implementing Agency has a suitable financial management system for the Subproject;

(c) the Borrower has furnished to the Association said proposal for, and appraisal of, the Subproject, including information regarding the amount of the Credit proposed to be allocated to the Subproject and the terms and conditions of availability of said amount; and

(d) the Association has notified the Borrower of its approval of the Subproject, the amount of the Credit proposed to be allocated to the Subproject, and the terms of availability of said amount.

2. Terms of Availability of Credit Proceeds under Part A of the Project

For the purpose of carrying out each Subproject under Part A of the Project, the Borrower shall make available to the Subproject's Implementing Agency the proceeds of the Credit allocated to the Subproject on the following principal terms:

(a) the principal amount so made available to the Implementing Agency shall be the equivalent in terms of SDR (determined as of the date, or respective dates, of withdrawal from the Credit Account, or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out on account of the cost of items required for the Subproject and to be financed out of the proceeds of the Credit (the Principal Amount) and shall be recovered by the Borrower in dollars in an amount equivalent to the Principal Amount (determined as of the date or respective dates of repayment);

(b) the Borrower shall recover the Principal Amount from the Implementing Agency in semi-annual installments over a period of not less than 10 years, inclusive of a grace period of 5 years; and

(c) the Borrower shall charge interest on the Principal Amount withdrawn and outstanding from time to time, at a rate which shall not exceed one percent (1%) per annum.

3. Terms of Availability of Credit and Loan Proceeds under Part B of the Project

For the purpose of carrying out each Subproject under Part B of the Project, the Borrower shall make available to the Subproject's Implementing Agency the proceeds of the Credit allocated to the Subproject on the following principal terms:

(a) the principal amount so made available to the Implementing Agency shall be the equivalent in terms of dollars (determined as of the date, or respective dates, of withdrawal from the Credit Account, or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out on account of the cost of items required for the Subproject and to be financed out of the proceeds of the Credit (the Principal Amount) and shall be recovered by the Borrower in dollars;

(b) the Borrower shall recover the Principal Amount from the Implementing Agency over a period that shall include a grace period of 5 years; and

(c) the Borrower shall charge interest on the Principal Amount withdrawn and outstanding from time to time, at a rate which shall not exceed three percent (3%) per annum.

C. Annual Implementation Plans

1. The Borrower shall ensure that each Implementing Agency shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Borrower, not later than November 30 in each calendar year, for consolidation and forwarding to the Association, a proposed implementation plan for the carrying out of its Subproject during the following calendar year, including a proposed training program to be carried out during said following calendar year.

2. The Borrower shall consolidate said implementation plans and forward the same to the Association not later than December 31 in each calendar year, for its review.

3. Thereafter, the Borrower shall ensure that each said Implementing Agency shall carry out its Subproject during said following calendar year in accordance with such implementation plan (including such training program) for such Subproject as shall have been approved by the Borrower and the Association.

D. Monitoring, Evaluation and Reporting

1. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the carrying out of the Project and the achievement of its

objectives.

2. The Borrower shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, the following reports:

(a) semi-annual reports, not later than February 28 and August 31 in each calendar year, which: (i) integrate the results of said monitoring and evaluation activities on the progress achieved in the carrying out of the Project during the preceding calendar half-year; and (ii) set out any additional measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives during current and next following calendar half-year;

(b) a mid-term report, not later than December 31, 2001, which integrates the results of said monitoring and evaluation activities, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and sets out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the Project's objectives during the period following such date.

3. After furnishing each report referred to in Section 2 of this Part, the Borrower shall exchange views with the Association on said report, and thereafter, take all measures required to ensure the continued efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

4. The Borrower shall furnish to the Association copies of the documents prepared by the consultants engaged for any Sub-project, including reports and drafts thereof, in such number as the Association shall reasonably request.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Credit Account or the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Credit Account and the Loan Account allocated to the eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association or the Bank in respect of the Project pursuant to Section 5.02 of the respective General Conditions, shall be equal to or exceed the equivalent of SDR11,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association 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 Association shall, on behalf

of the Borrower, withdraw from the Credit Account or the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the 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 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 Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the 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 the 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 Section 2.02(a) 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 the 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 the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association or the Bank 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. 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 the 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 the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association; the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the 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 the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

(d) Refunds to the Association 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.

