

CONFORMED COPY

CREDIT NUMBER 2252 IN

(Industrial Pollution Control Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 8, 1991

CREDIT NUMBER 2252 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 8, 1991, between INDIA (the Borrower), acting by its President, 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 Parts A, B.2, and C 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 Parts B.1 and B.2 (a) 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 equivalent to one hundred twenty-four million dollars (\$124,000,000) (the Loan);

(C) Parts A and C.1 of the Project will be carried out by the Borrower and Parts B.2 and C.2 of the Project will be carried out by Industrial Development Bank of India (IDBI as herein defined)

with the assistance of the Borrower and, as part of such assistance, the Borrower will make available to IDBI a part of the proceeds of the Credit as provided herein;

(D) Part B.1 of the Project will be carried out by IDBI and Industrial Credit and Investment Corporation of India Limited (ICICI as herein described) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to IDBI and ICICI 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;

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, with the last sentence of Section 3.02 deleted (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, the Preamble to this Agreement, and the Loan Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CPCB" means the Central Pollution Control Board of the Borrower and includes any successor or successors thereto;

(b) "Grant" means the grant provided by the Borrower to IDBI pursuant to Section 3.01 (b) hereof;

(c) "Implementation Cell" means the Implementation Cell established by the Borrower for the purposes of the Project;

(d) "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" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(e) "LOU" means the Letter of Understanding to be obtained by the Borrower from IDBI pursuant to Section 3.01 (b) hereof;

(f) "SPCB's" mean the State Pollution Control Boards of the following States of the Borrower: the State of Gujarat, the State of Maharashtra, the State of Tamil Nadu, and the State of Uttar Pradesh;

(g) "Special Account" means the account referred to in Section 2.02 (b) hereof;

(h) "Steering Committee" means the Steering Committee established by the Borrower for the purposes of the Project; and

(i) "Sub-grant", as the context permits, means a sub-grant made or proposed to be made by IDBI out of the proceeds of the Grant to an Investment Enterprise for an Investment Project.

#### 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-three million four hundred thousand Special Drawing Rights (SDR 23,400,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Parts A and B.2 (to be financed by Sub-grants) and C of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2001 and ending February 15, 2026. Each installment to and including the installment payable on February 15, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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:

- (i) shall carry out Parts A and C.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and environmental practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause IDBI to perform all its obligations set forth in the LOU, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable IDBI to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, to enable IDBI to carry out Parts B.2 and C.2 of the Project, pass on a portion of the proceeds of the Credit, agreed to by the Association, to IDBI as a grant on the basis of a Letter of Understanding, satisfactory to the Association, to be obtained by the Borrower from IDBI regarding the proposed utilization of the grant funds;

(c) 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 Parts A and C.1 of the Project and cause IDBI to carry out Parts B.2 and C.2 of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

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 3 to this Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain and 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 and IDBI and other entities responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have and cause to have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish and cause to be furnished to the Association, as soon as available, but in any case not later than nine 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 and cause to be furnished to the Association such other information concerning said records, accounts and the audit thereof as the Association shall 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 expenditure, the Borrower shall:

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

##### Remedies of the Association

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

- (a) IDBI shall have failed to perform any of its obligations under the LOU.
- (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 IDBI will be able to perform its obligations under the LOU.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CPCB or the SPCB's or for the suspension of their operations.

(d) The LOU shall have been amended, cancelled or terminated or the Steering Committee or Implementation Cell shall have been disbanded so as to affect materially and adversely the implementation of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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:

(a) the LOU has been obtained from IDBI by the Borrower; and

(b) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

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 LOU has been duly executed by IDBI and is legally binding upon IDBI in accordance with its terms.

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

Section 6.04. The obligations of the Borrower under the provisions of paragraphs (a) and (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry 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:

The Secretary to the Government of India  
Ministry of Finance

Department of Economic Affairs  
New Delhi, India

Cable address: ECOFAIRS  
New Delhi

Telex: 953-3166175

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 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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.

INDIA

By /s/ Anil Kumar  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marianne Haug  
Acting Regional Vice President  
Asia

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	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- tures to be Financed
(1)(a) Equipment under Part A.1 and A.2 of the Project	6,400,000		100% of foreign ex- penditures, 100% of local expenditures (ex-factory cost) and 80% of local ex- penditures for other

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(b) Civil works (buildings) under Part A.2 of the Project	400,000		90%
(c) Other civil works under Part A.2 of the Project	700,000		90%
(d) Consultants' services and training under Part A.3 of the Project	1,900,000		100%
(2)(a) Equipment, civil works, and consultants' services financed by Sub-loans under Part B.1 of the Project		100,000,000	100% of foreign expenditures, and 75% of local expenditures
(b) Equipment, civil works, and consultants' Services financed by Sub-loans and Sub-grants under Part B.2 of the Project	11,800,000	24,000,000	100% of foreign expenditures, and 80% of local expenditures
(3)(a) Consultants' services and training under Part C of the Project	1,500,000		100%
(b) Equipment under Part C of the Project	700,000		100% of foreign expenditures, 100% of local expenditures (ex-factory)

items pro-  
cured locally



cost) and 80%  
of local  
expenditures  
for other  
items  
procured  
locally

	_____	_____
TOTAL	23,400,000	124,000,000
	=====	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, and (b) a Sub-loan or Sub-grant unless the Sub-loan or Sub-grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in the Schedule to the Project Agreement.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (i) support the Borrower's efforts to prevent and alleviate environmental degradation caused by industrial operations, and (ii) assist the Borrower in attaining the short- and medium-term targets of its environmental policy.

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: Institutional Development Component

Strengthening of CPCB and SPCB's in order to enhance their technical, institutional, monitoring and enforcement abilities through:

1. Acquisition of selected testing equipment;
2. Provision, renovation and refurbishing of selected laboratory facilities and office accommodations; and
3. Training programs in technical and managerial skills aimed at training in areas such as: (a) quality assurance and quality control, (b) maintenance and operation training, (c) specialized technical training, (d) supervisory training, and (e) project formulation and management.

##### Part B: Investment Component

1. Undertaking of Investment Projects relating to the designing and implementation of waste minimization, resource recovery and pollution abatement schemes by individual enterprises in targeted sectors.

2. Undertaking of Investment Projects relating to:

(a) the setting up of common treatment facilities at industrial estates and other sites with a heavy concentration of

chemical industries, for the treatment and proper disposal of liquid, gaseous and solid wastes, mainly by small scale industries; carrying out of such studies as may be required for the location, design, and implementation of the common treatment facilities; and

(b) the establishment of eligible demonstration projects selected for targeted incentives due to the relatively small size of the enterprises, the environmental problems associated with their operations, and the potential demonstration effects of these problems in encouraging similar investments and systems by other industries.

Part C: Technical Assistance Component

Provision of specialized technical assistance, including equipment, for the evaluation of environmental problems and assessment of their solutions including:

1. (a) technical studies, including laboratory studies, to assess the treatability of residues or waste streams, (b) pilot plant studies required to scale up innovative treatment technologies, (c) preparation of technical handbooks for environmental housekeeping manuals at different industries, and (d) an institutional and organizational study of the SPCB's; and

2. (a) pre-investment studies for projects to be funded under Part B of the Project, and (b) a training program on environmental issues at IDBI and ICICI.

\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

Part B: Preference for Domestic Manufacturers and Contractors

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

2. In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. (a) Except as provided in sub-paragraph (b) hereof, items or groups of items for equipment under Parts A and C of the Project, estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$4,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

(b) Items or groups of items for equipment under Parts A and C of the Project, estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$1,800,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Civil works under Part A of the Project shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Equipment and civil works under Part B of the Project, estimated to cost the equivalent of \$8,000,000 or less per contract, 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 equipment and availability of maintenance facilities and spare parts therefor, and, in the case of civil works, of their quality and the competence of the parties rendering them.

#### Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for: (i) equipment under Parts A and C of the Project, estimated to cost the equivalent of \$200,000 or more, (ii) civil works under Part A of the Project, estimated to cost the equivalent of \$200,000 or more, and (iii) equipment and civil works under Part B of the Project, each estimated to cost the equivalent of \$8,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement or the Loan Agreement, as the case may be.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

In order to assist: (a) the Borrower in carrying out Parts A.3 and C.1 of the Project, and (b) IDBI in carrying out Parts B and C.2 of the Project, the Borrower shall employ and, where necessary, cause IDBI to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories (1), (2) (b) in respect of Sub-grants, and (3) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A and C.1 of the Project and to be financed out of the proceeds of the Credit 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 \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 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 a deposit or deposits 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 and deposit in 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 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 eligible Categories, and in the 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 paragraph (a) of Section 2.02 of the Development Credit Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for the Project 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) 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 such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association 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 for subsequent withdrawal or for cancellation in accordance with the relevant provisions of the Development Credit Agreement, including the General Conditions applicable thereto.

#### Schedule 5

##### Implementation Program

1. The Borrower shall ensure that the SPCB's have adequate office and laboratory facilities to properly operate and maintain equipment supplied to them under the Project.

2. The Borrower shall maintain the Steering Committee and Implementation Cell and provide requisite assistance to them to carry out their functions properly.

3. (a) The Borrower shall, by December 31, 1991, undertake and complete a study, based on terms of reference developed in consultation with the Association, on the organization and management of SPCB's.

(b) The Borrower shall upon completion of the said study: (i) furnish a copy thereof to the Association for its comments, (ii)

discuss the results thereof with the Association, and (iii) periodically, upon request by the Association, discuss the progress in the implementation of the recommendations made pursuant thereto.

4. The Borrower shall periodically, upon request by the Association, discuss the progress regarding changes in environmental standards for industries from a concentration basis to a load basis, with the Association.

