Development Credit Agreement

(Taihu Basin Flood Control Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 18, 1993
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 18, 1993, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the 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 equivalent to one hundred million dollars ($100,000,000) (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

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 have the respective meanings therein set forth and the following additional terms have the following meanings:
(a) "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.

(b) "Locally Funded Works" means the Huxi and Wuchengxi pumped drainage works in Jiangsu Province, the Hongqitang River Channelization works in Zhejiang Province and Shanghai Municipality, the East-West Tiaoxi Flood Diversion works in Zhejiang Province, the Hang-Jia-Hu North drainage works in Jiangsu and Zhejiang Provinces and the Lanlugang River Channelization works in Shanghai Municipality.

(c) "Project Implementation Agreement" means the agreement to be entered into by the Ministry of Water Resources and the Project Provinces in accordance with Section 3.01 (b) of this Agreement.

(d) "Project Province" means each of Jiangsu Province, Zhejiang Province and Shanghai Municipality.

(e) "Resettlement Plan" means the plan for relocating and compensating people whose dwellings, sources of income or livelihoods are affected by the Project, dated December 31, 1992.

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

(g) "TBA" means the Taihu Basin Authority, a unit within the Ministry of Water Resources and any successor unit or body performing substantially the same functions and having substantially the same responsibilities.

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 seventy-two million eight hundred thousand Special Drawing Rights (SDR 72,800,000).

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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a bank and 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 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 May 1 and November 1 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 semiannual installments payable on each May 1 and November 1 commencing May 1, 2003 and ending November 1, 2027. Each installment to and including the installment payable on November 1, 2012 shall be one and one-fourth percent (1 and 1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2 and 1/2%) 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, shall carry out the Project through TBA with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and water quality and flood control management practices, and shall provide, and shall cause the Project Provinces to 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:

(i) the Borrower shall carry out the Project through TBA in accordance with the Implementation Program set forth in Schedule 4 to this Agreement; and

(ii) the Borrower shall cause the Ministry of Water Resources and the Project Provinces to enter into a project implementation agreement on terms and conditions satisfactory to the Association and under which:

(A) each Project Province shall agree to assist TBA in carrying out its respective parts of the Project and the Locally Funded Works with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and water quality and flood control management practices and to provide, promptly as needed, the funds, facilities, services and other resources required for them; and
(B) each Project Province shall establish and maintain the project management organization set out in paragraph B.1 of Schedule 4 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 or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that any party to the Project Implementation Agreement shall have failed to perform its obligations thereunder.

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

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 Borrower’s State Council shall have approved the Development Credit Agreement;

(b) the Borrower shall have established the Taihu Basin Water Resources Protection Committee in accordance with paragraph C.1 (a) of Schedule 4 to this Agreement; and

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

Section 6.02. The following is specified as 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 Implementation Agreement has been duly authorized or ratified by all parties thereto and is legally binding upon the parties in accordance with its terms.

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

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  
Telex: 22486 MFPRC CN  
Beijing, China

For the Association:

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

Cable address: INDEVAS  
Telex: 248423 (RCA), 82987 (FTCC), 64145 (WUI) or 197688 (TRT)  
Washington, D.C.
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

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Regional Vice President
East Asia and Pacific
## 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td></td>
<td></td>
<td>42%</td>
</tr>
<tr>
<td>(a) for the Taipu Pumping Station under Part A.1 of the Project</td>
<td>730,000</td>
<td>3,400,000</td>
<td></td>
</tr>
<tr>
<td>(b) All other works</td>
<td>42,000,000</td>
<td>78,600,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods</td>
<td>28,980,000</td>
<td>15,000,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Consultants’ services, training and study tours</td>
<td>1,090,000</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>--</td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>72,800,000</td>
<td>100,000,000</td>
<td></td>
</tr>
</tbody>
</table>
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, except that withdrawals, in an aggregate amount not to exceed SDR 14,600,000, may be made in respect of Categories (1) and (3) on account of payments made for expenditures before that date but after February 29, 1992; and (b) expenditures under Category (1) (a) without the prior submission of an agreement acceptable to the Association between the Borrower (acting through TBA) and Shanghai Municipality on the purchase of raw water by the Shanghai Municipality Water Supply Authority, in quantities and at prices acceptable to the Association.
Description of the Project

The objectives of the Project are to assist the Borrower in improving flood control and land drainage and inland waterway transportation in the Taihu Basin area and to improve water supply and quality in the Taihu Basin.

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: Flood Control and Land Drainage

1. Construction and equipping of works for the Taipu River, including widening and deepening of about 44 kilometers, a pumping station and gates in connection with the existing control structure, bridges, access roads and control gates and ship locks on connected waterways.

2. Construction and equipping of works for the Wangyu River, including widening and deepening of about 60 kilometers, a tidal control structure and pumping station and renovation of an existing control structure, a siphon under the Grand Canal, bridges and control gates and ship locks on connected waterways.

3. Construction and equipping of works for the Hang-Jia-Hu South area, including widening and deepening of about 96 kilometers of waterways south of Lake Tai, control gates, bridges and three tidal control structures and a pumping station.

4. Construction and strengthening of about 270 kilometers of dikes surrounding Lake Tai, control gates and ship locks.

Part B: Taihu Basin Water Management

1. Improving TBA's capability for water management by providing equipment for data collection and monitoring.

2. Strengthening TBA's capabilities in operation, maintenance and management, developing a basin-wide flood control and water management model and studying environmental effects, through a program of technical assistance including provision of equipment,
vehicles, buildings, consultants' services, staff training and
overseas study tours.

* * *

The Project is expected to be completed by June 30, 1997.
SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association and the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. Bidders for all contracts for works in excess of US$2,000,000 shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of US$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in China 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.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 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 D: Other Procurement Procedures

1. The following goods and works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association and the Bank: (a) items or groups of items of goods estimated to cost less than the equivalent of $200,000 and more than the equivalent of $50,000 per contract; (b) works for the Grand Canal siphon and Wangyu River Channelization, building construction and other works estimated to cost less than $10,000,000 and more than the equivalent of $200,000 per contract; and (c) earthworks, masonry work and small structures, estimated to cost the equivalent of $200,000 or less per contract, up to an aggregate of $75,000,000.

2. Earthworks, masonry work and small structures, estimated to cost the equivalent of $200,000 or less per contract, up to an aggregate of $75,000,000 shall be carried out by force account.

3. Items or groups of items for goods estimated to cost the equivalent of $50,000 or less per contract, up to an aggregate amount equivalent to $1,500,000, shall 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 and the Bank.

Part E: Review by the Association and the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for works estimated to cost the equivalent of $2,000,000 or more, and each contract for goods estimated to cost the equivalent of more than $200,000, 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, such 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 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. 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 the Borrower in implementing and carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association and the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association and the Bank 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

Implementation Program

Part A: Overall Implementation

1. The Borrower shall cause TBA to prepare and furnish to the Association by November 30 of each year a detailed annual budget and work program for the Project for implementation in the next calendar year.

2. The Borrower shall ensure that the technical assistance under Part B.2 of the Project, including local and overseas training and study tours and consultants’ services, shall be carried out in accordance with a program agreed with the Association.

3. The Borrower shall cause TBA to undertake periodic monitoring and evaluation programs, in the following areas, and to furnish the findings to the Association at the intervals stated:
   
   (a) on the physical and financial progress of the Project and the Locally Funded Works, semi-annually;

   (b) on the socio-economic well-being of people relocated under the Project, semi-annually;

   (c) on the technical performance and impact of key engineering and earth and dredging works, annually; and

   (d) on the effectiveness of the flood control system produced by the Project, annually.

4. The Borrower shall cause TBA to:

   (a) collect and levy such fees and charges at such rates as are necessary from time to time to defray the full annual operating and maintenance costs of the completed Project works; and

   (b) prepare and furnish to the Association, for information, by November 30 in each year, commencing November 30, 1994 a statement of proposed costs and revenues.
Part B: Project Management Institutions

1. The Borrower shall:

   (a) maintain its Central Project Leading Group and cause the Project Provinces to maintain their respective Project Leading Groups and Project Management Offices with composition, responsibilities and functions acceptable to the Association; and

   (b) ensure that TBA is, at all times, staffed by competent staff in adequate numbers for implementation of the Project and operation and maintenance of the Taihu Basin water control system and key individual works.

2. The Borrower shall:

   (a) prepare and furnish to the Association, by December 31, 1993, proposals to revise the responsibilities, functions and powers of TBA to increase TBA’s authority to operate and manage Project facilities upon completion; and

   (b) thereafter implement such proposals as agreed between Borrower and the Association.

Part C: Environmental and Water Management and Resettlement

1. The Borrower shall:

   (a) establish and thereafter maintain the Taihu Basin Water Resources Protection Committee with composition, responsibilities and functions satisfactory to the Association;

   (b) by December 31 in each year, furnish to the Association for comment the annual consolidated budget and programs of activities for environmental monitoring and water management approved by said Committee for implementation in the next calendar year; and

   (c) furnish to the Bank by December 31, 1993, a long-term Taihu Basin-wide environmental management plan, prepared under the guidance of said Committee and endorsed by the National Environmental Protection Agency, and thereafter, shall take all necessary steps to implement such plan as agreed with the Association.
2. The Borrower shall ensure that:

(a) all activities under the Project comply with environmental standards and guidelines satisfactory to the Association; and

(b) all necessary measures are taken to minimize and to mitigate any adverse environmental impact caused by the construction and other activities under the Project, in a manner satisfactory to the Association.

3. The Borrower shall:

(a) ensure that all steps necessary to implement the Resettlement Plan as agreed with the Association are taken in a manner satisfactory to the Association;

(b) cause TBA to retain an independent institution acceptable to the Association to monitor and evaluate at semi-annual intervals the socio-economic well-being of people relocated under the Project and to furnish its findings and recommendations to TBA, the Project Provinces, and the Association; and

(c) implement any such recommendations for follow-up action as agreed with the Association.

4. The Borrower shall cause TBA to prepare and furnish to the Association by December 31, 1994 for review a set of Taihu Basin-wide operational procedures for flood and drought management, and a contingency plan for catastrophic flood management.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term "eligible Categories" means Categories (1), (2) 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 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 $10,000,000 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.

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 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 or the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the 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 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; or

(b) once the total unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories for the Project, less the amount of any outstanding special commitment 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 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 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 or 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.
INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

FOR SECRETARY

[Signature]