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DOCUMENTS

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CREDIT NUMBER 1417 CHA

# Development Credit Agreement

(Rubber Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated

*January 5*, 1984

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CREDIT NUMBER 1417 CHA

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated *January 5*, 1984, between PEOPLE'S REPUBLIC OF CHINA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project, described in Schedule 2 to this Agreement, by extending the Credit as hereinafter provided;

(B) the Borrower has also requested the Association in its capacity as Administrator of the Special Fund established by its Executive Directors by Resolution No. IDA 82-6 of October 26, 1982, to assist in the financing of the same Project by granting a special fund credit (hereinafter called the Special Fund Credit) to the Borrower equivalent to fifty-six million eight hundred thousand Special Drawing Rights (SDR 56,800,000); and the Association as such Administrator is willing to grant the Special Fund Credit pursuant to the Special Fund Credit Agreement of even date herewith between the Borrower and the Association as such Administrator (hereinafter called the Special Fund Credit 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 hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated June 30, 1980, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the

General Conditions have the respective meanings therein set forth and the term "PGB" means the Provincial General Bureau of State Farms and Land Reclamation, an administrative entity of the Borrower existing as part of Guangdong Province under the overall supervision of the Borrower's Ministry of Agriculture, Animal Husbandry and Fisheries, and any successor thereto.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to thirty-seven million eight hundred thousand Special Drawing Rights (SDR 37,800,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, 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.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and civil works 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 2.04. The Closing Date shall be December 31, 1989 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing May 15, 1994, and ending November 15, 2033, each installment to and including the installment payable on November 15, 2003, to be one-half of one per cent ( $1/2$  of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ( $1-1/2\%$ ) of such principal amount.

Section 2.09. 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. The Borrower shall carry out the Project through the PGB with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist the Borrower in carrying out Part F of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association, such consultants to 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.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) The Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the purposes of the Project.

Section 3.04. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower shall through the PGB: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) enable the Association's representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Credit, the Association may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such

later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.

Section 3.05. Until completion of the Project, the Borrower shall submit through the PGB, not later than September 30 of each year, to the Association for its review an annual work program and financing plan for the Project for the following year.

Section 3.06. The Borrower shall ensure that the Project Management Office within PGB is maintained during the implementation of the Project and is adequately staffed with experienced and qualified personnel.

Section 3.07. The Borrower shall ensure that effluents from plants producing rubber under the Project shall be treated in accordance with sound environmental practices.

#### **ARTICLE IV**

##### **Other Covenants**

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

(b) Without limitation to the foregoing, the Borrower shall: (i) cause PGB to maintain separate accounts reflecting all expenditures on account of which withdrawals are requested from the Credit Account on the basis of statements of expenditure; (ii) retain, until one year after the Closing Date, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing the expenditures on account of which withdrawals are requested from the Credit Account on the basis of statements of expenditure; and (iii) enable the Association's representatives to examine such records.

(c) The Borrower shall: (i) have the accounts referred to in paragraph (a) of this Section 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 such auditors, of such scope and in such detail as the Association shall have reasonably requested, including without limitation to the foregoing, a separate opinion by said auditors in respect of the expenditures and records referred to in paragraph (b) of this Section as to whether the proceeds of the Credit withdrawn from the Credit Account on the basis of statements of expenditure have been used for the purpose for which they were provided; and (iii) furnish to the Association such other information concerning said accounts, records and expenditures and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. Upon completion of the Project, the Borrower shall provide the funds, services and other resources necessary to maintain, bring into production and exploit effectively rubber plantings under Part A of the Project and to install processing facilities therefor.

## ARTICLE V

### Remedies of the Association

Section 5.01. (a) For the purposes of Section 6.02 of the General Conditions, the following additional event is specified pursuant to paragraph (h) thereof, namely, that subject to paragraph (b) of this Section:

- (i) The right of the Borrower to withdraw the proceeds of the Special Fund Credit shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Special Fund Credit Agreement, or
- (ii) The Special Fund Credit shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:  
(i) such suspension, cancellation, termination or prematuring is

not caused by the failure of the Borrower to perform any of its obligations under the Special Fund Credit Agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (d) thereof, namely, that the event specified in paragraph (a) (ii) Section 5.01 of this Agreement shall occur, subject to paragraph (b) of that Section.

## 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; and

(b) all conditions precedent to the effectiveness of the Special Fund Credit Agreement, except for the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The date *April 5, 1984* is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representatives 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  
People's Republic of China

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC CN

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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

*15/ Z. Wenjin*

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

*15/ S. Kiaman*

By

*Acting* Regional Vice President  
East Asia and Pacific

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Rubber and windbreak establishment, excluding chemical fertilizer	14,650,000	11%
(2) Equipment, vehicles and goods for:		
(a) Part B	14,740,000 )	100% of foreign
(b) Part C.2	5,670,000 )	expenditures and
(c) Part F	1,130,000 )	100% of local
		expenditures
		(ex-factory
		cost)
(3) Consultants services	310,000	100%
(4) Overseas training	930,000	100%
(5) Unallocated	370,000	
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TOTAL	37,800,000	
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2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of a country other than that of the Borrower and for

goods or services supplied from the territory of a 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. The disbursement percentages have been calculated in compliance with the policy of the Association that the proceeds of the Credit shall not be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; on this basis, if the amount of any such taxes levied on or in respect of items in any Category decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such Category as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures made prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (a) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (b) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditure for such item shall be financed out of the proceeds of the Credit, and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association

under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

## SCHEDULE 2

### Description of the Project

The Project is intended to increase the production of natural rubber by assisting the Borrower's program of new planting and replanting in Guangdong Province. The Project consists of the following Parts:

#### Part A: Planting and Replanting

1. New planting of about 21,000 ha and replanting of approximately 15,000 ha on 50 state farms, including intercropping during part of the rubber's immature phase on a gross area of about 9,000 ha;
2. New planting of rubber on about 4,000 ha and intercropping on a gross area of about 1,000 ha on nearby communes; and
3. Establishment of about 12,000 ha of windbreaks on state farms and communes.

#### Part B: Equipment and Materials

Expansion of the equipment fleets of participating state farms through procurement of trucks, wheeled and crawler tractors, other agricultural implements, and transportation and construction equipment.

#### Part C: Timber Processing

1. Upgrading of sawmills on the 19 state farms engaged in replanting; and
2. Construction of two integrated timber processing facilities.

#### Part D: Buildings

Construction of about 754,000 sq m of buildings, including housing for staff and workers of state farms, offices, storage facilities, workshops, schools and health clinics.

Part E: Infrastructure

Construction or upgrading of bridges and culverts, about 780 km of rural roads, about 400 km of power transmission lines and about 780 km of telephone lines.

Part F: Training and Research

1. Strengthening domestic training programs for staff and workers of state farms and upgrading of research and training programs in prefectural research institutes; and
2. Provision of overseas training and technical assistance in rubber production and processing and estate management.

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The Project is expected to be completed by June 30, 1989.

### SCHEDULE 3

#### Procurement

##### A. International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the current edition of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Association as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods remain to be procured on the basis of international competitive bidding.

3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods, offered in such bid; (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids; and (iii) the cost of inland freight and other expenditures incidental to the delivery of the goods to the place of their use or installation shall be included.

B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedure described in Part A of this Schedule, goods manufactured in China may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following three groups:

(1) Group A: bids offering goods manufactured in China if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods includes a value added in China equal to at least 20% of the ex-factory bid price of such goods.

(2) Group B: all other domestic bids.

(3) Group C: bids offering any other goods.

3. In order to determine the lowest evaluated bid of each group, all evaluated bids in each group shall first be compared among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the evaluated bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to: (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in



such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph 3 is the lowest evaluated bid shall be selected.

C. Other Procurement Procedures

1. Rubber and windbreak establishment may be carried out by force account.
2. Items of equipment, estimated to cost the equivalent of not more than \$50,000 each and aggregating not more than the equivalent of \$3,000,000, may be procured on the basis of three price quotations under procedures satisfactory to the Association.

D. Review of Procurement Decisions by the Association

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

With respect to all contracts for goods estimated to cost the equivalent of \$100,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked or prequalification was invited.

(d) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

2. With respect to each contract not governed by the preceding paragraph (except for contracts on account of which withdrawals are allowed from the Credit Account on the basis of statements of expenditures), the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

3. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 15% of the original price, the Borrower shall inform the Association of the proposed modification, waiver, extension or change order and the reasons therefor. The Association, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

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.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 5th day of Jan.,  
198 7.



FOR SECRETARY