

CONFORMED COPY

LOAN NUMBER 3572 CHA

Tianjin
Project Agreement

(Tianjin Industrial Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

TIANJIN MUNICIPALITY

Dated June 2, 1994

LOAN NUMBER 3572 CHA

TIANJIN PROJECT AGREEMENT

AGREEMENT, dated June 2, 1994, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and TIANJIN MUNICIPALITY (Tianjin Municipality).

WHEREAS by the Loan Agreement of even date herewith between People's Republic of China (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred fifty million dollars (\$150,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Tianjin Municipality agree to undertake such obligations toward the Bank as are set forth in this Agreement and that the Financial Intermediaries agree to undertake such obligations toward the Bank as are set forth in the Financial Intermediaries Project Agreement; and

WHEREAS Tianjin Municipality, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Tianjin Municipality declares its commitment to the objectives of the Project as set forth in Schedule 1 to the Loan Agreement, and, to this end, shall carry out Part B.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and industrial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts A and B.1 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and Tianjin Municipality shall otherwise agree, Tianjin Municipality shall carry out Part B.1 of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Tianjin Municipality shall relend the proceeds of the Loan allocated to Parts A and B.2 of the Project to the Financial Intermediaries under subsidiary loan agreements whose terms and conditions shall have been approved by the Bank, which shall include:

- (i) interest calculated in accordance with Section 2.05 (a) of the Loan Agreement;
- (ii) repayment over a period not to exceed twenty years, including a period of grace of five years;
- (iii) commitment charges payable at the rate stated in Section 2.04 of the Loan Agreement; and
- (iv) foreign exchange risk between Renminbi and the Bank's currency borne by the Financial Intermediaries.

(b) Tianjin Municipality shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Bank and Tianjin Municipality and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, Tianjin Municipality shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

(c) Tianjin Municipality shall relend \$9,700,000 out of the proceeds of the loan allocated to Part B.1 of the Project to Investment Enterprises on the terms and conditions set out in paragraph (a) above, including the foreign exchange risk to be borne by the Investment Enterprises.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part B.1 of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.04. Tianjin Municipality shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Tianjin Project Agreement and Part B.1 of the Project.

Section 2.05. (a) Tianjin Municipality shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part B.1 of the Project, the performance of its obligations under this Agreement and the Subsidiary Loan Agreements and other matters relating to the purposes of the Loan.

(b) Tianjin Municipality shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part B.1 of the Project, the accomplishment of the purposes of the Loan, or the performance by Tianjin Municipality of its obligations under this Agreement and under the Subsidiary Loan Agreements.

ARTICLE III

Financial Covenants

Section 3.01. (a) Tianjin Municipality 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 Part B.1 of the Project of the departments or agencies of the Tianjin Municipality responsible for carrying out Part B.1 of the Project.

(b) Tianjin Municipality shall:

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

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

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

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Tianjin Municipality thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Tianjin Municipality thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For Tianjin Municipality:

Tianjin Municipal Finance Bureau
Qufu Road, Heping District
Tianjin 300042
People's Republic of China

Telex:

234061 TJFB CN

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Tianjin Municipality may be taken or executed by Vice Mayor or such other person or persons as Vice Mayor shall designate in writing, and Tianjin Municipality shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam S. Kaji

Regional Vice President
East Asia and Pacific

TIANJIN MUNICIPALITY

By /s/ Li Daoyu

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods

Part A: Procurement Procedures

1. Items or groups of items of specialized equipment estimated to cost more than the equivalent of \$1,000,000 shall be procured under contracts awarded through limited

international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, and 2.56 thereof).

2. Items or groups of items estimated to cost the equivalent of \$1,000,000 or less per contract, shall be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers, from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part B: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$500,000 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 Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank 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 Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made 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 Tianjin Municipality in carrying out Part B.1 of the Project, Tianjin Municipality shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to 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 2

Implementation Program

1. Tianjin Municipality shall take all steps necessary to implement the Development Program and Strategy and shall exchange views with the Bank from time to time at least every six months on the progress of such implementation.

2. Tianjin Municipality shall ensure that the consultants' services and local and overseas training under Part B.1 of the Project are provided in accordance with a technical assistance program agreed with the Bank, and, to that end, shall, by October 31 in each year, furnish to the Bank, for its approval, a program for local and overseas training for the next calendar year.

3. Tianjin Municipality shall maintain its task force on industrial restructuring and its project implementation office to assist the task force, both with functions and responsibilities acceptable to the Bank, staffed by competent staff in adequate numbers.

4. For the purposes of Part A of the Project and Section 1.02 (n) of the Loan Agreement, Project Sub-sectors shall be the industrial sub-sectors of machine tools, construction equipment, electronics components, automotive parts and electric motors, and other industrial sub-sectors agreed between the Bank and Tianjin Municipality on the basis of sub-sector studies and development strategies prepared by Tianjin Municipality and acceptable to the Bank.

