

CONFORMED COPY

CREDIT NUMBER 2186-CHA

DEVELOPMENT CREDIT AGREEMENT

(Rural Industrial Technology (Spark) Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 17, 1991

CREDIT NUMBER 2186-CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 17, 1991, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to fifty million dollars (\$50,000,000) (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 are made;

(D) Parts B, C and D.1 of the Project will be carried out by the Borrower and Jiangsu Province, Jilin Province and Shanghai Municipality (the Project Provinces) and Parts A and D.2 of the Project will be carried out by Agricultural Bank of China (ABC), China Investment Bank (CIB) and Jilin Province Economic Development Investment Corporation (JEDIC) (the Financial Intermediaries), all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project Provinces a portion of the proceeds of the Credit as provided in this Agreement and of 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 and in the Provincial Project Agreement of even date herewith among the Association, the Bank and the Project Provinces and in the Financial Intermediaries Project Agreement of even date herewith among the Association, the Bank and the Financial Intermediaries;

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 modifications set forth in Schedule 6 to this Agreement (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) "ABC" means the Agricultural Bank of China, a specialized banking institution established and operating under the laws of the Borrower, including, inter alia, the ABC Documents;

(b) "ABC Documents" means the Circular of the Borrower's State Council on the Restoration of the Agricultural Bank of China, dated February 23, 1979 (State Council Document No. (1979) 56); and the Decision of the Borrower's State Council on the Exclusive Exercise of Central Bank Functions by the People's Bank of China, dated September 17, 1983 (State Council Document No. (1983) 146);

(c) "CIB" means China Investment Bank, a state enterprise established pursuant to the CIB Charter;

(d) "CIB Charter" means the Charter of China Investment Bank approved by the Borrower's State Council on December 4, 1981;

(e) "Financial Intermediaries" means CIB, ABC and JEDIC, collectively, and "Financial Intermediary" means any of the Financial Intermediaries;

(f) "Financial Intermediaries Project Agreement" means the agreement among the Association, the Bank and ABC, CIB and JEDIC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Financial Intermediaries Project Agreement;

(g) "foreign currency" means any currency other than the currency of the Borrower;

(h) "free-limit Sub-loan" means a Sub-loan which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of the Schedule to the Financial Intermediaries Project Agreement;

- (i) "Investment Enterprise" means an enterprise to which a Financial Intermediary proposes to make or has made a Sub-loan;
- (j) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;
- (k) "ISTIC" means the Institute of Scientific and Technical Information of China, an entity under the direction of SSTC, and any successor to ISTIC;
- (l) "JEDIC" means Jilin Province Economic Development Investment Corporation, established and operating pursuant to the JEDIC Charter;
- (m) "JEDIC Charter" means the Charter of JEDIC, approved by the People's Bank of China on March 19, 1988 (Bank Reply No. (1988) 112);
- (n) "JEDIC Policy Statement" means the Policy Statement of JEDIC approved by its General Manager on March 27, 1990 and as revised thereafter with the concurrence of the Association and the Bank;
- (o) "Jiangsu Special Account", "Jilin Special Account" and "Shanghai Special Account" mean the accounts referred to in Section 2.02 (b) of this Agreement, "Special Accounts" means the Jiangsu Special Account, the Jilin Special Account and the Shanghai Special Account, collectively, and "Special Account" means any one of the Special Accounts;
- (p) "Lending Procedures" means the Lending Procedures (on a Trial Basis) of CIB, approved by the Borrower's Ministry of Finance on April 2, 1983;
- (q) "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;
- (r) "Project Provinces" means Jiangsu Province, Jilin Province and Shanghai Municipality, collectively, and Project Province means any of the Project Provinces;;
- (s) "Provincial Project Agreement" means the agreement among the Association, the Bank and Jiangsu Province, Jilin Province and Shanghai Municipality of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Provincial Project Agreement;
- (t) "Renminbi" means the currency of the Borrower;
- (u) "Spark Program" means the Borrower's program to promote the development of a rural commodity economy by the introduction of modern scientific and technological knowledge into rural areas;
- (v) "Spark Program Policy Statement" means the Policy Statement on the Spark Program adopted by SSTC on March 25, 1990;
- (w) "SSTC" means the Borrower's State Science and Technology Commission, and any successor thereto;
- (x) "Statement of Operating and Financial Policies" and "Statement of Development Strategy" mean the Statement of Operating and Financial Policies and Development Strategy Statement of CIB, as approved by its Board of Directors in April 1989 and January 1989, respectively, and as revised thereafter with the Bank's concurrence;
- (y) "Sub-loan" means a loan made or proposed to be made by a Financial Intermediary to an Investment Enterprise for an Investment Project out of the equivalent of the proceeds of the Loan and the Credit relent or made available to the Financial Intermediary under its respective Subsidiary Loan Agreement;

(z) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by CIB or by any one or more Subsidiaries of CIB or by CIB and one or more of its Subsidiaries;

(aa) "Subsidiary Loan Agreements" means the agreements to be entered into between the Project Provinces and the Financial Intermediaries, pursuant to Section 2.02 (a) of the Provincial Project Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreements, and "Subsidiary Loan Agreement" means any of the Subsidiary Loan Agreements; and

(bb) "Supplementary Regulations" means the "Regulations Supplementary to the Charter of China Investment Bank," approved by CIB's Board of Directors on October 6, 1982.

## 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 forty-five million one hundred thousand Special Drawing Rights (SDR45,100,000).

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:

(i) amounts paid (or if the Association shall so agree, amounts to be paid) by a Financial Intermediary on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Credit Account is requested; and

(ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B, C and D of the Project 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 three separate special deposit accounts in banks and on terms and conditions satisfactory to the Association (including appropriate protection against set off, seizure or attachment), to be known as the Jiangsu Special Account, the Jilin Special Account and the Shanghai Special Account, respectively. 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 September 30, 1996 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 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 April 15 and October 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 April 15 and October 15 commencing April 15, 2001 and ending October 15, 2025. Each installment to and including the installment payable on October 15, 2010 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's 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 its respective parts of Parts B and D.1 of the Project through SSTC and of Part C of the Project through ISTIC, all with due diligence and efficiency and in conformity with appropriate financial, economic and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and

(ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause the Project Provinces and Financial Intermediaries to perform in accordance with the provisions of the Provincial Project Agreement and Financial Intermediaries Project Agreement, respectively, all their obligations therein set forth, shall take or cause to be taken all action, including the provision of

funds, facilities, services and other resources, necessary or appropriate to enable them 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 make the following approximate amounts out of the proceeds of the Credit and the proceeds of the Loan available to the Project Provinces on terms and conditions satisfactory to the Association and the Bank: (i) to Jiangsu Province, \$65,000,000; (ii) to Jilin Province, \$25,000,000; and (iii) to Shanghai Municipality, \$20,000,000.

(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 B, C and D.1 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts B, C, and D of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively): (a) in respect of Parts B, C and D.1 of the Project shall be carried out by Project Provinces pursuant to Section 2.03 of the Provincial Project Agreement; and (b) in respect of Parts A and D.2 of the Project shall be carried out by the Financial Intermediaries pursuant to Section 2.04 of the Financial Intermediaries Project 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 Parts B, C and D.1 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 for Parts B, C and D.1 of the Project 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan 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.

Section 4.02. The Borrower shall, from time to time, at the request of any one of them, exchange views with the Association and any of the Financial Intermediaries on the interest rates to be charged by such Financial Intermediary in its lending operations in light of its cost of funds and profitability and interest and inflation rates in China and internationally.

#### 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) Any of the Project Provinces or any of the Financial Intermediaries shall have failed to perform any of its obligations under the Provincial Project Agreement or the Financial Intermediaries Project Agreement, respectively.

(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 any of the Project Provinces or any of the Financial Intermediaries will be able to perform its obligations under the Provincial Project Agreement or the Financial Intermediaries Project Agreement, respectively.

(c) The ABC Documents, the CIB Charter or the JEDIC Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ABC, CIB or JEDIC, respectively, to perform any of its obligations under the Financial Intermediaries Project Agreement.

(d) A change shall have been made in CIB's Statement of Operating and Financial Policies or Statement of Development Strategy or the JEDIC Policy Statement without the Association's concurrence.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of a Financial Intermediary or for the suspension of its operations.

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) the events specified in paragraphs (c), (d) or (e) 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 Borrower's State Council has approved the Development Credit Agreement;

(b) the Subsidiary Loan Agreements have been executed on behalf of the Project Provinces and respective Financial Intermediaries; and

(c) 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 are specified as additional matters, 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:

(a) that the Provincial Project Agreement has been duly authorized or ratified by the Project Provinces, and is legally binding upon the Project Provinces in accordance with its terms;

(b) that the Financial Intermediaries Project Agreement has been duly authorized or ratified by the Financial Intermediaries and is legally binding upon the Financial Intermediaries in accordance with its terms; and

(c) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Project Provinces and respective Financial Intermediaries and are legally binding upon the Project Provinces and respective Financial Intermediaries in accordance with their 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

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 100820  
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:

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

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 /s/ Zhu Qizhen

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shahid Javed Burki

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 Equivalent)	Amount of the Loan Allocated (Expressed in SDR Equivalent)	% of Expendi- tures in Dollar to be Financed
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For Jiangsu Province:

(1) Sub-loans:

(a) under Part A.1 of the Project	21,770,000	29,540,000	100% of amounts disbursed by a Financial Intermediary
(b) under Part A.2 of the Project	2,500,000	-----	

(2) Goods for Parts B, C and D of the Project	1,390,000	-----	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) Works for Part B of the Project	540,000	-----	50%
(4) Consultants' services and training for Parts B, C and D of the Project	450,000	-----	100%
SUBTOTAL	26,650,000	29,540,000	

For Jilin Province:

(5) Sub-loans under Part A.1 of the Project	8,370,000	11,370,000	100% of amounts disbursed by a Financial Intermediary
(6) Goods for Parts B, C and D of the Project	1,110,000	-----	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(7) Works for Part B of the Project	510,000	-----	50%
(8) Consultants' services and training for Parts B, C and D of the Project	260,000	-----	100%
SUBTOTAL	10,250,000	11,370,000	

For Shanghai Municipality:

(9) Sub-loans under Part A.1 of the Project	6,700,000	9,090,000	100% of amounts disbursed by a Financial Intermediary
(10) Goods for Parts B, C and D of the Project	970,000	-----	100% of foreign expenditures, 100% of local expenditures (ex-factory

			cost) and 75% of local ex- penditures for other items procured locally
(11) Works for Part B of the Project	370,000	-----	50%
(12) Consultants' services and training for Parts B, C and D of the Project	160,000	-----	100%
SUBTOTAL	8,200,000	9,090,000	
TOTAL	45,100,000	50,000,000	

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:

(a) in respect of a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in the Schedule to the Financial Intermediaries Project Agreement; and

(b) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$11,000,000 may be made in respect of Categories (1), (3), (5), (7), (9) and (11) on account of payments made for expenditures before that date but after July 1, 1989; and

(c) in respect of Categories (2), (3), (4), (6), (7), (8), (10), (11) and (12), until the contracts for consultants' services referred to in Section II (A) of Schedule 3 to this Agreement have been entered into in accordance with said Section.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to assist the Borrower in implementing its Spark Program to upgrade standards of technology and management in its rural non-State industries, through financing of enterprise modernization in the Project Provinces, improving training for rural industry staff, improving information services to rural enterprises and strengthening the management of the Spark Program by national and local government officials.

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: Enterprise Modernization

Financing of projects under the Spark Program through Sub-loans to township and village level enterprises and county level collective enterprises in the Project

Provinces, under: (1) commercial terms; and (2) precommercial terms.

Part B: Spark Program Training

1. Upgrading management skills and training methodologies of Spark Program trainers and managers at the national level and in the Project Provinces, through: (a) provision of training, consultants' services and equipment; and (b) construction and equipping of training facilities in Nanjing, Jiangyin, Changchun and Chongming County.
2. Undertaking a study of the long-term development of Spark Program training.

Part C: Technology Information

Developing ISTIC's information network to provide more business-oriented information to township and village level enterprises through provision of training, consultants' services, and equipment.

Part D: Institutional Development

Strengthening the management capabilities of: (1) national and local level officials implementing the Spark Program; and (2) staff of the Financial Intermediaries implementing the Project, particularly in such areas as management information and technology evaluation, all through the provision of training, consultants' services and equipment.

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The Project is expected to be completed by September 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works for Parts B, C, and D of the Project

Part A: Procurement Procedures

1. Goods shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, from at least three different countries, where appropriate, in accordance with procedures acceptable to the Association and the Bank.
2. Civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association and the Bank.

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

1. (a) With respect to each contract for civil works, 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 and the Bank pursuant to said paragraph 2 (d) shall be furnished to the Association and 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 Association and the Bank pursuant to said paragraph 3 shall be furnished to the Association and the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding sub-paragraph (b) shall not apply to

contracts on account of which the Association and the Bank have authorized withdrawals from the Credit Account and Loan Account 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

A. In order to assist SSTC and ISTIC in carrying out Parts B.1, C and D.1 of the Project, the Borrower shall enter into contracts for consultant services, for: (1) technical assistance required for Spark Program training; (2) technology information; (3) management information systems; and (4) technology evaluation training, all with consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association and the Bank.

B. In order to assist the Financial Intermediaries in carrying out Part D.2 of the Project, the Financial Intermediaries shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association and the Bank.

C. All 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

1. SSTC and ISTIC shall carry out the national level training under Parts B, C and D.1 of the Project in accordance with training programs agreed with the Association.

2. The Borrower shall inform the Association prior to revising the Spark Program Policy Statement.

3. The Borrower shall: (a) carry out the study under Part B.2 of the Project under terms of reference acceptable to the Association, by December 31, 1993; and (b) upon completion, review the results of such study with the Association.

### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) for the Jiangsu Special Account, Categories (1), (2), (3) and (4); (ii) for the Jilin Special Account, Categories (5), (6), (7) and (8); and (iii) for the Shanghai Special Account, Categories (9), (10), (11) and (12), all as 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;

(c) the term "Authorized Allocation" means an amount equivalent to: (i) for the Jiangsu Special Account, \$3,600,000; (ii) for the Jilin Special Account, \$1,400,000; and (iii) for the Shanghai Special Account, \$1,100,000, all to be withdrawn from the Credit Account or the Loan Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule; and

(d) notwithstanding the provisions of paragraph 2(b) of the Schedule to the Financial Intermediaries Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Accounts

before the Association or the Bank shall have authorized withdrawals from the Credit Account or Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association shall subsequently authorize such withdrawals.

2. Payments out of the Special Accounts 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish said 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 in said Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposits into said 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 said 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 said 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 a 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 a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals in respect of the respective Parts of the Project 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 said Special Account, 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 respective Parts of 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 respective Parts of 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 said 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 a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (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 said 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 said 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 a 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 a 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.

#### SCHEDULE 6

##### Modifications of General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The following subparagraph is added to Section 2.01:

"15. The term 'Financial Intermediaries Project Agreement' has the meaning set forth in paragraph (f) of Section 1.02 of the Development Credit Agreement."

(3) The words "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in sub-paragraph 3 (c) of the Schedule to the Financial Intermediaries Project Agreement, the Association shall, in respect of any portion of the Credit: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Association may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."