

CONFORMED COPY

CREDIT NUMBER 2387-0-CHA

(Tianjin Urban Development and Environment Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 2, 1992

CREDIT NUMBER 2387-0-CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 2, 1992, 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; and

(B) the Project will be carried out by Tianjin Municipality (Tianjin) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Tianjin the proceeds of the Credit as provided in this 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 Project Agreement of even date herewith between the Association and Tianjin;

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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "EPB" means Tianjin's Environmental Protection Bureau;
- (b) "Fund" means the Tianjin Industrial Pollution Control Fund, the establishment of which was authorized by Tianjin pursuant to Tianjin Municipal Government Approval No. 33, dated April 15, 1992, and to be established by Tianjin by the Fund Charter;
- (c) "Fund Charter" means the charter establishing the Tianjin Industrial Pollution Control Fund;
- (d) "Fund Operating and Lending Procedures" means the operating and lending procedures, including technical appraisal criteria of the Fund referred to in Part C, paragraph 1(b) of Schedule 2 to the Project Agreement;
- (e) "Industrial Enterprise" means an enterprise engaged in industry to which Tianjin proposes to extend or has extended a Subloan;
- (f) "PCBC" means the People's Construction Bank of China;
- (g) "Project Agreement" means the agreement between the Association and Tianjin 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 Project Agreement;
- (h) "PTC" means the Tianjin Public Transport Company, a state-owned (autonomous) enterprise established under the laws of the Borrower and operating in Tianjin;
- (i) "Renminbi" means the currency of the Borrower;
- (j) "Resettlement Voucher Regulations" means the regulations approved by Tianjin on November 9, 1991, establishing the terms, conditions and procedures for using vouchers for resettlement and relocation of households affected by the Project activities, as revised, and provided to the Association;
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (l) "Subloan" means a loan extended or proposed to be extended by Tianjin out of the proceeds of the Credit through the Fund to an Industrial Enterprise for a Subproject;
- (m) "Subproject" means a specific pollution control project to be carried out by an Industrial Enterprise utilizing the proceeds of a Subloan;
- (n) "Subsidiary Loan Agreement" means the agreement to be entered into between Tianjin and the Fund pursuant to Part C, paragraph 2(a) of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;
- (o) "Tianjin" means Tianjin Municipality; and
- (p) "Transfer and Operation Agreement" means the agreement entered into between Tianjin and PTC pursuant to Part D, paragraph 1(a) of Schedule 2 to the Project Agreement.

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-three million three hundred thousand Special Drawing Rights (SDR 73,300,000).

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:

(i) 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 Parts A, B, C.2, D and E of the Project and to be financed out of the proceeds of the Credit; and

(ii) for amounts paid (or, if the Association shall so agree, to be paid) by the Fund on account of withdrawals made by an Industrial Enterprise under a Subloan to meet the reasonable cost of goods and services required for the Subproject in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a bank and in 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 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 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 June 1 and December 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 semi-annual installments payable on each June 1 and December 1 commencing December 1, 2002 and ending June 1, 2027. Each installment to and including the installment payable on June 1, 2012, 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Tianjin to perform in accordance with the provisions of the Project Agreement all the obligations of Tianjin therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Tianjin 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 onlend the proceeds of the Credit to Tianjin on the following principal terms and conditions: (i) repayment over a period not exceeding fifteen years including five years of grace; (ii) interest at a rate of 4.5 percent; and (iii) commitment charges and foreign exchange risk over the repayment period to be borne by Tianjin.

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 1 to the Project 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) shall be carried out by Tianjin pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall:

(a) maintain, or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures for which payments are made out of the Special Account;

(b) have the records and 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;

(c) furnish to the Association 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 Association shall have reasonably requested, including 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; and

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

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) Tianjin shall have failed to perform any of its obligations under the Project Agreement;

(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 Tianjin will be able to perform its obligations under the Project Agreement;

(c) the Fund Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Fund to perform any of its obligations under the Subsidiary Loan Agreement;

(d) a change shall have been made in the Fund Operating and Lending Procedures without the Association's concurrence;

(e) the Borrower, Tianjin or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Fund or for the suspension of its operations; and

(f) a change shall have been made in the Resettlement Voucher Regulations without the concurrence of the Association.

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

(a) that 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) that any event specified in paragraphs (c), (d), (e) or (f) 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) that the Borrower's State Council has approved the Development Credit Agreement; and

(b) that Tianjin shall have taken the actions required by Part C, paragraphs 1 (a)(i), 1 (b), 2 (a) and 4 of Schedule 2 to the Project Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by Tianjin and the Fund and is legally binding upon Tianjin and the Fund 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
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:

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Qizhen

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kaji

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 Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods under Parts A, B, C.2 and D of the Project	19,600,000	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(2) Civil works under Parts A, B and D of the Project	20,900,000	65%
(3) Civil works on a Unit Cost Basis under Part E of the Project	14,800,000	65%
(4) Consultants' services and training under Parts A, B and D of the Project	4,100,000	100%
(5) Subloans under Part C.1 of the Project	13,900,000	100% of amounts disbursed under Subloans made by the Fund
TOTAL	73,300,000 =====	

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;

(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; and

(c) the term "Unit Cost Basis" means the cost of civil works and materials required to build new housing units for households being resettled under Part E of the Project, as determined on a per unit basis acceptable to the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 7,300,000 may be made in respect of Categories 1, 3 and 4 on account of payments made for expenditures before that date but after April 30, 1991.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist Tianjin in planning and management of infrastructure and environment; and (b) to support priority physical investments to improve environmental sanitation, urban transport and industrial pollution control in Tianjin.

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: Planning and Management

Carrying out improvements, through conducting studies and training and the acquisition and utilization of equipment, in:

- (1) planning and evaluation of infrastructure investments;
- (2) tracking and forecasting revenue and programming and adjusting annual and multi-year budgets for infrastructure;
- (3) Project implementation monitoring and supervision; and
- (4) monitoring urban development and infrastructure operations, including establishing a geographical information monitoring system.

Part B: Environmental Sanitation

1. Supporting the first phase of Tianjin's program of extending and improving sewage collection and drainage facilities through:

- (a) provision of effective sewage collection and drainage systems in developed areas which have incomplete systems or lack such systems; and
- (b) improvement of controlled natural drainage channels by realigning selected channel sections, augmenting pumping stations and extending sewerage systems to reduce flow constrictions and prevent contamination of the natural drainage channels.

2. Improving solid waste management, through:

- (a) renewal and expansion of the waste collection and street cleaning vehicles and maintenance equipment;
- (b) developing a plan to improve the municipal solid waste disposal system and training in management of sanitation facilities; and
- (c) carrying out improvements in the solid waste treatment and disposal system.

Part C: Industrial Pollution Control

1. Reducing industrial pollution by establishing a fund to finance Subprojects to reduce wastes generated by Industrial Enterprises.

2. Supporting institutional development, through provision of consultants' services and training and equipment:

(a) to enhance EPB's environmental monitoring and regulatory enforcement capability; and

(b) to strengthen the capacity for applied research and economic and financial analysis of the Environmental Technology Development Center and the Environmental Protection Science Institute of EPB, and the Fund.

Part D: Urban Transport

1. Improving the Tianjin Inner Ring Road and constructing overpasses.

2. Constructing and equipping two bus maintenance depots and a central bus terminal.

3. Undertaking a study of public transport policy and management (a) to evaluate transportation demand and supply, financing and management options; and (b) to formulate a plan for public transport systems development.

4. Improving traffic management through introduction of an area traffic control system, improvement of road intersections, and training and equipping of traffic control officers.

Part E: Resettlement

1. Resettlement and relocation of about 4,050 households affected by activities being carried out under the Project.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories 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 for Subprojects to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$6,700,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit 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 and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the 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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of the Development Credit Agreement, including the General Conditions applicable thereto.

