

CONFORMED COPY

JAPANESE GRANT RELATED TO CREDIT NUMBER 2186 CHA  
LOAN NUMBER 3274 CHA

(Rural Industrial Technology (Spark) Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
as Administrator of Grant Funds  
provided by the  
GOVERNMENT OF JAPAN

Dated January 17, 1991

JAPANESE GRANT RELATED TO CREDIT NUMBER 2186 CHA  
LOAN NUMBER 3274 CHA

JAPANESE GRANT AGREEMENT

AGREEMENT, dated January 17, 1991, between PEOPLE'S REPUBLIC OF CHINA (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by the GOVERNMENT OF JAPAN (Japan).

WHEREAS: (A) pursuant to a Development Credit Agreement (Rural Industrial Technology (Spark) Project), of even date herewith between the Recipient and the International Development Association (the Association) (the Development Credit Agreement), the Association has agreed to make available to the Recipient an amount in various currencies equal to forty-five million one hundred thousand Special Drawing Rights (SDR 45,100,000) to assist in the financing of the Project described in Schedule 2 to the Development Credit Agreement (the Project);

(B) pursuant to a Loan Agreement (Rural Industrial Technology (Spark) Project), of even date herewith, between the Recipient and the Bank (the IBRD Loan

Agreement), the Bank has agreed to extend to the Recipient a loan in an amount in various currencies equivalent to fifty million dollars (\$50,000,000) also to assist in the financing of the Project;

(C) the Recipient has also requested Japan to provide assistance in financing Parts B, C and D of the Project;

(D) pursuant to a letter agreement dated June 3, 1987 between Japan and the Bank, Japan has requested the Bank, and the Bank has accepted, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank in accordance with the provisions of such letter agreement; and

(E) Japan has agreed to make available to the Recipient a grant (the Grant) out of said grant funds to assist the Recipient in carrying out Parts B, C and D of the Project on 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 General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985 (the General Conditions) constitute an integral part of this Agreement, subject, however, to the following modifications thereto:

(a) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Association referred to in Recital (B) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

(b) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(c) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement except that in Section 6.02 (a), the term "Loan Agreement" means the IBRD Loan Agreement;

(d) the term "Loan", wherever used in the General Conditions, means the Grant;

(e) the term "Loan Account", wherever used in the General Conditions, shall be amended to read the Grant Account;

(f) Section 4.01. shall be modified to read:

"Withdrawals from the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out of the proceeds of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal.";

(g) Sections 2.01 (5), (7), (12), (13), (14), (16), (17) and (19), 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.10, 6.05, 6.07, 7.01, 8.01 (a), 9.02, 9.03, 10.02, 12.02, 12.04 and 12.05 are deleted.

(h) The second and third sentences of Section 4.09 are deleted.

(i) Section 6.02 (c) shall be amended by adding the phrase "or the Development Credit Agreement" at the end, and the following subparagraph is added to Section 2.01:

"21. The term "Development Credit Agreement" means the agreement of even

date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and in the Development Credit Agreement and IBRD Loan Agreement have the respective meanings therein set forth; and the terms "yen" and "Y" mean the currency of Japan.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions herein set forth or referred to, the Grant in an amount of two hundred forty-three million Yen (Y 243,000,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant 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 Recipient and the Administrator.

Section 2.03. The Recipient shall, for the purposes of Parts B, C and D of the Project, open and maintain a special deposit account in U.S. dollars in a bank acceptable to the Administrator on terms and conditions satisfactory to the Administrator, (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 provision of Schedule 2 to this Agreement.

Section 2.04. Except as the Administrator shall otherwise agree, goods and consultants' services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to the Development Credit Agreement which is hereby incorporated into this Agreement.

Section 2.05. The Closing Date shall be March 31, 1996 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. Except as otherwise expressly provided herein, Sections 3.01 (a) and (c) and 4.01 and Article V of the Development Credit Agreement, including the Schedules referred to therein, are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, it being understood that all references therein to "the Association" shall be deemed to be references to the Bank as Administrator of the Grant under this Agreement, all references to the "Borrower" shall be deemed to be references to the Recipient, all references to the "Credit" and the "Credit Account" shall be deemed to be references to the Grant and the Grant Account, respectively, and all references to the "Development Credit Agreement" shall be deemed to be references to this Agreement.

## ARTICLE IV

### Effectiveness

Section 4.01. (a) This Agreement shall become effective on the date on which withdrawals from the Credit Account and Loan Account shall be permitted under paragraph 3 (c) of Schedule 1 to the Development Credit Agreement. The Administrator shall promptly notify the Recipient of such date.

(b) This Agreement and all obligations of the Parties hereto shall terminate if the Development Credit Agreement or the Loan Agreement shall terminate for failure to become effective pursuant to Section 12.04 of the General Conditions applicable

thereto.

Section 4.02. Subject to Section 4.01 (b) above, this Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

#### ARTICLE V

#### Representatives

Section 5.01. The Minister of Finance of the Recipient shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance  
Sanlihe  
Beijing 100820  
People's Republic of China

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC CN

For the Administrator:

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:

440098 (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 as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Qizhen

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
as Administrator of the Grant

By /s/ Shahid Javed Burki

Regional Vice President  
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Yen)	% of Expenditures to be Financed
(1) Goods	121,500,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory) and 75% of local expenditures for other items procured locally
(2) Consultants' services and training	121,500,000	100%
TOTAL	243,000,000 =====	

2. 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 or for goods not eligible under this Agreement.

SCHEDULE 2

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$100,000 to be withdrawn from the Grant 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 Administrator 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 Recipient shall

furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Grant Account in the respective equivalent amounts as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Grant allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to Parts B, C and D of the Project shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator 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 Recipient shall, promptly upon notice from the

Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

