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PRC STATE COUNCIL BULLETIN,

No 3, 10 Feb 1985

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16 October 1985

CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN, No 3, 10 FEB 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No 3, 10 Feb 1985

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PROVISIONAL REGULATIONS ON TECHNOLOGY TRANSFER ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 3, 10 Feb 85 pp 50-52

[State Council Provisional Regulations on Technology Transfer (10 January 1985)]

(Guo-fa [0948 4099] (1985) No 7)

[Text] In order to further mobilize the enthusiasm, initiative and creativity of the broad masses of staff and workers, especially of scientific and technical personnel, so as to quickly apply the results of scientific and technological research and expertise to material production, and to effectively implement the policy of economic construction depending on science and technology and of science and technology serving economic construction, the following regulations are to be implemented concerning the transfer of technology:

I. Technology Commodity and Technology Market

Under the condition of the socialist commodity economy, technology is also a kind of commodity. All units and individuals are free to carry out technology transfer without being restrained by regions, departments, and economic forms. The state has decided to open the technology market extensively, and boost the technology trade, so as to promote the development of production.

With regard to all the technology which can help develop new varieties of products, enhance the quality of products, reduce the cost of products, improve operation and management, and raise economic results, the sellers and buyers can carry out transfers on the principle of voluntary transaction, mutual benefit and consultations. However, technology violating state laws or policies shall not be transferred. Transfer of confidential technology involving national security or major economic interests is subject to other state regulations.

II. Price for Technology Transfer

The technology transfer fee, or the price for technology commodity, should be set through consultation on the basis of market regulation. The price can be paid up in one transaction, or it can be paid in a certain percentage on the basis of the newly increased sales volume or profits following the implementation of the related technology, or it can be calculated according to other methods through consultations between the two parties.

Intermediaries who have assisted in concluding the transaction of the technology commodity (including units and individuals) can obtain reasonable rewards as agreed by the relevant parties involved in the technology transfer.

III. Contract for Technology Transfer

In transferring technology, both parties should sign a contract on technology transfer, and should observe "The Law of the People's Republic of China on Economic Contracts" as well as the relevant regulations of other laws.

The following items should be clearly stated in a contract signed by the two parties:

- 1) whether it is required to inform each other on the details of the followup improvements of the technology;
- 2) whether it is permitted to transfer the technology to a third party;
- 3) the criteria and mode regarding the inspection and acceptance of the technology to be transferred; and
- 4) whether it is necessary to pay introductory fees in advance.

IV. Rights and Interests in Transferring Technology

With regard to the technology studied and developed in accordance with the plan of the state or of the superior authorities, in addition to propagation and application according to the stipulations of the plan, the unit which has developed the technology can also carry out transfers in line with the current regulations, and the revenue from such transfers will belong to the unit. Personnel who have directly taken part in the study and development of the technology should be rewarded accordingly.

With regard to the technology studied and developed in accordance with the plan of a unit, the revenue from the transfer will belong to this unit. Personnel who have directly taken part in the study and development of the technology should be rewarded, and personnel who have made great contributions to the initiation on the basis of market needs and the completion of the study and development of the technology should be comparatively richly rewarded.

With regard to those personnel who have actively and fruitfully helped the buyer to master the transferred technology in the course of technology transfer, they should be rewarded in a way comparable to the reward obtained by the persons who have directly taken part in the study and development of the technology.

With regard to the technology independently studied and developed by the staff members and workers on the premise that they have done their work well and have not encroached on the technological rights and interests of their unit, the revenue from the transfer should belong to the individual or to the specialized group engaged in the development work. If the facilities and equipment of the unit have been used in the course of development, utilization fees should be paid according to the agreement previously reached between the user and the unit.

With regard to the technology studied and developed on assignment by other units, the relevant rights and interests should be handled in accordance with the stipulations in the agreement and the present regulations.

V. Payment of the Technology Transfer Fee

With regard to the technology transfer fee paid by the enterprise or unit owned by the whole people and by the unit owned by the collective, it can be paid in one transaction from the management funds, or it can be paid in installments if the amount is comparatively large. If the fee is to be paid according to a certain percentage of the newly increased sales volume or profit, it should be paid out of the newly increased profit before tax. With regard to state-owned enterprises or units, it should be paid out of the balance of the contracted business funds or out of the revenue outside the budget; if there is no such balance of contracted business funds or revenue outside the budget, it can be paid out of business funds.

VI. Taxation on Technology Transfer

With regard to the technology transfer conducted by state-owned enterprises or units and units owned by collectives, if the total net income per year does not exceed 100,000 yuan, it will be exempted from income tax and the unit can retain the entire amount. If the amount is in excess of 100,000 yuan, income tax will be levied on the portion in excess of 100,000 yuan. With regard to the income derived from technology transfer acquired by institutions of higher learning, scientific research units, and other state-owned enterprises and units, tax will be exempted for the first 3 years, and the entire income will be retained by these units for developing scientific research undertakings. An individual must pay income tax on his or her earnings from technology transfer.

VII. Use of Technology Transfer Earnings

The ways to use the technology transfer earnings retained by the units will be determined by the units themselves, and the superior authorities or other relevant departments are not allowed to take away or restrain the use of these earnings.

The unit conducting technology transfer should use 5 to 10 percent of the net retained technology transfer earnings for granting awards according to Article IV. This amount should be distributed by the person in charge of the project, and the unit or other relevant departments should not intervene. This amount should not be included in the total amount of bonuses for the unit.

REGULATIONS ON CONTROL OF ADMINISTRATIVE DIVISIONS ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 3, 10 Feb 85 pp 52-53

[State Council Regulations on the Control of Administrative Divisions
(15 January 1985)]

(Guo-fa [0948 4099] (1985) No 8)

[Text] Article 1. In order to strengthen the control of the administrative divisions, these regulations are formulated in accordance with the relevant stipulations of "The Constitution of the People's Republic of China" and "The Law on the Organization of the Various Local People's Congresses and the Various Local People's Governments of the People's Republic of China."

Article 2. It is necessary to stabilize the administrative divisions. If changes have to be made, the plan for the change should be formulated on the principle that the change should be beneficial to the building of socialist modernization, to administrative control, to unity among nationalities, and to the consolidation of national defense. It should be submitted for examination and approval level by level.

Article 3. The establishment, abolition, or change of name for provinces, autonomous regions, and municipalities directly under the central authorities should be reported to the National People's Congress for examination and decision.

Article 4. The change of the following administrative divisions shall be examined and approved by the State Council:

1. The change of the administrative division line of provinces, autonomous regions, and municipalities directly under the central authorities, and the removal of the site where the people's governments of provinces and autonomous regions are situated;

2. The establishment, abolition, or change of name for autonomous prefectures, counties, autonomous counties, cities, districts under the jurisdiction of cities, and the change of the relationship of jurisdiction, as well as the removal of the site where the people's governments of autonomous prefectures, counties, autonomous counties, and cities are situated;

3. The change of the administrative division line of autonomous prefectures and autonomous counties, and major changes of the administrative division line of counties and cities;

4. Changes of relationship of jurisdiction and the administrative division lines involving coastline, islands, important border areas, areas having important resources and areas with special conditions.

Article 5. The people's governments of provinces, autonomous regions, and municipalities directly under the central authorities are empowered by the State Council to examine and approve the changes of some of the administrative division lines of counties, cities, and districts under the jurisdiction of cities; when changes are approved, details should be reported to the Ministry of Civil Affairs for the record.

With regard to the establishment, abolition, or change of names for townships, nationality townships, and towns, the changes of their administrative division lines, or the removal of the site where the people's governments of townships, nationality townships, and towns are located, they are to be examined and approved by the people's governments of provinces, autonomous regions, and municipalities directly under the central authorities.

Article 6. The abolition, change of names, or removal of administrative offices, district offices, and street offices should be examined and approved by the people's governments which approved the establishment of the relevant offices in accordance with the laws.

Article 7. The contents of the reports submitted to the superior people's governments on changes of administrative divisions should include: the reasons and scope of changes, the relationship of jurisdiction, the political and economic conditions, the figures on population and areas, the maps for the proposed change of administrative divisions, as well as the reports or opinions of the people's governments (including administrative offices) at or above the county level.

Article 8. The civil affairs departments at various levels should be responsible for the control work of the administrative divisions at corresponding levels. In undertaking the work for the change of administrative divisions, the civil affairs departments at various levels should, in accordance with different conditions, liaise with and consult with the relevant departments in the fields of nationalities, personnel, finance, foreign affairs, urban and rural construction, and toponymy; when undertaking the work for the change of administrative divisions in the nationality autonomous areas, it is necessary to carry out full consultations with the autonomous organs of these areas and the deputies of the relevant nationalities before any decisions are made.

The civil affairs departments at various levels should set up complete records for the administrative divisions.

Article 9. The Ministry of Civil Affairs is responsible for the interpretation of the present regulations.

Article 10. These regulations are effective on the day of promulgation.

SMALL-SCALE BORDER TRADE REGULATIONS APPROVED

Beijing STATE COUNCIL BULLETIN in Chinese No 3, 10 Feb 85 p 70

[Provisional Regulations on Small-Scale Trade in Border Areas Approved by the State Council on 15 December 1984 and Promulgated by the Ministry of Foreign Economic Relations and Trade on 20 December 1984]

[Text] 1. These regulations are specially formulated for the purpose of invigorating the economy in border areas, more extensively satisfying the production and livelihood needs of border inhabitants, promoting contacts between the border inhabitants of two countries, and developing good-neighborly and friendly relations.

2. Small-scale trade in border areas, as it is called in these regulations, refers to small-scale trade in China's border towns between departments and enterprises appointed by provincial or autonomous regional people's governments, on the one hand, and border towns of another country, on the other, as well as bilateral trade between the border inhabitants of two countries.

3. Small-scale trade in border areas shall be conducted at border ports and trading centers mutually agreed on by two countries.

4. Small-scale trade in border areas shall be managed by provincial or autonomous regional people's governments concerned. Work relating to the opening up of ports, foreign affairs, security, border defense, customs, banking, commodity inspection, animal and plant quarantine, industrial and commercial administration, and so on, shall be handled by relevant responsible departments of the State Council at the request of the provincial or autonomous regional people's governments.

5. Small-scale trade between border towns shall be carried out according to the principle of sole responsibility for one's own sources of goods, sales, negotiations, balances, and profits and losses.

6. Small-scale trade between border towns shall be levied tariffs, products tax or value-added tax according to regulations.

7. Bilateral trade between border inhabitants shall be conducted within limited scopes. Specific limitations shall be formulated by the provincial or autonomous regional people's government and records shall be filed with the Ministry of Foreign Economic Relations and Trade and the General Customs Administration.

8. Commodities within quotas handled in bilateral trade between border inhabitants shall be exempted from tariffs, products tax or value-added tax.

9. No contraband goods shall be exported or imported.

10. All important and export commodities requiring licenses shall be examined and approved by provincial or autonomous regional economic relations and trade departments (committees or bureaus) authorized by the Ministry of Economic Relations and Trade.

11. Annual reports and statistics on small-scale trade in border areas shall be reported by provincial or autonomous regional economic relations and trade departments (committees or bureaus) to the Ministry of Economic Relations and Trade for the record.

12. Small-scale trade in border areas must strictly abide by the provisions of state laws and administrative decrees. Provincial or autonomous regional people's governments must formulate feasible concrete methods to facilitate the development of small-scale trade in border areas.

RULES CHANGING CAPITAL CONSTRUCTION FUNDS TO LOANS ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 3, 10 Feb 85 pp 71-77

[Provisional Regulations on Changing State Budgeted Capital Construction Investment From Appropriations to Loans by the State Planning Commission, the Finance Ministry, and the Chinese People's Construction Bank (14 December 1984)]

(Ji-zi [6060 6327] (1984) No 2580)

[Text] Chapter I: General

Article 1. These provisional regulations are specially formulated in the spirit of the resolution in the "Report on the Work of the Government" adopted at the Second Session of the Sixth NPC. For the purpose of providing compensation for the use of state funds and achieving better economic results, it is hereby decided that as from 1985, all state budgeted capital construction investment is to be changed from financial appropriations to bank loans (hereinafter referred to as "appropriations turned into loans").

Article 2. Capital construction investment that makes use of "appropriations turned into loans" shall be arranged by planning departments at all levels in accordance with plans approved by the state. Planning departments, departments in charge of construction projects and construction departments at all levels must acquire the concepts of capital turnover, interest and input-output.

Article 3. In order to apply the law of value and provide guarantees for the construction of key projects, planning committees at all levels must work jointly with departments concerned in bringing into play the role of economic levers.

Article 4. Capital construction departments and construction units must conscientiously implement the principles and policies of the state and the programs and procedures of capital construction, institute a system of investment responsibility, shorten the construction cycle, improve the quality of work, reduce costs, economize on funds, increase the returns on investment, and repay loans on time.

Article 5. Capital construction investment that makes use of "appropriations turned into loans" shall be handled by the Construction Bank in accordance with the state capital construction program. Construction banks at all levels must conscientiously implement the state's investment and credit policies, rationally regulate funds, ensure that funds can be used in a timely way, supervise the use of funds and promote better returns.

Chapter II: Planned Management and the Source of Funds

Article 6. Plans for capital construction investment that makes use of "appropriations turned into loans" shall be managed by different levels. The total amount of such investment and the amounts of investment by different departments and regions shall be determined by the state. Large and medium-sized capital construction projects funded by "appropriations turned into loans" shall be offered suggestions regarding arrangement by various departments of the State Council and by various localities according to jurisdictional relationships and, after being approved by the State Planning Commission on the basis of overall balancing, shall be listed as large and medium-sized capital construction projects of the state. Small projects shall be approved by various departments of the State Council and by various localities according to jurisdictional relationships. In arranging construction projects, planning departments at all levels must fully heed the opinions of construction banks at the same level.

After the replacement of appropriations by loans, the original channel of "state budgeted direct investment" shall be canceled.

Investment that makes use of "appropriations turned into loans" and capital construction loans made possible by bank deposits and special funds of local financial departments should be managed separately as funds from different channels and should not be confused.

Article 7. The Construction Bank should actively take part in feasibility studies on construction projects. It should make assessments on the economic returns, the time needed to recover investment and the ability to repay loans, to be used by departments in charge of construction projects in compiling a design prospectus (or feasibility study report).

Article 8. Capital construction projects funded by "appropriations turned into loans" must be brought into line with 5-year and annual capital construction plans of the state.

Construction units should submit approved capital construction plans, project proposal, design prospectus, preliminary plan, budgetary estimates for the plan and contracts (agreements) for investment responsibility to construction banks they have accounts with.

In respect of more confidential national defense and military projects, how relevant documents are to be submitted to construction banks shall be decided on by the Commission of Science, Technology and Industry for National Defense and the head office of the Construction Bank.

Article 9. "Appropriation turned into loans" funds for projects arranged by various departments of the State Council and by various localities shall be allocated from the budgets of the central and local financial departments, respectively, according to jurisdictional relationships and the terms of reference in respect of planning and arrangement of the project concerned. Accordingly, that part of the loan recovered by the Construction Bank which was allocated from the central budget shall be handed over to the central financial department, whereas that which was allocated from local budgets shall, in principle, be handed over to local financial departments.

Loans on which repayment is exempted according to regulations or with approval shall be written off by the Construction Bank as "appropriations turned into loans" funds allocated by the financial department and reported to the financial department.

Chapter III: Interest Rates

Article 10. Differential interest rates shall be instituted for "appropriations turned into loans."

- 1) The annual interest rate for electronic, textile, light industrial, petrochemical and crude oil processing projects shall be 4.2 percent.
- 2) The annual interest rate for steel, nonferrous metal, machinery, automobile, chemical engineering, forestry engineering, electricity, petroleum exploitation, railroad, transport and civil aviation projects shall be 3.6 percent.
- 3) The annual interest rate for agricultural, forestry, land reclamation, water conservancy, animal husbandry, aquatic production, meteorological, national defense, coal, building materials, post and telecommunications, grain and energy conservation projects shall be 2.4 percent.
- 4) The annual interest rate for projects designed to produce goods in excessive supply and for projects designed to produce energy-consuming goods in energy-short areas shall be 12 percent. A list of these goods is to be published by the State Planning Commission.
- 5) The annual interest rate for other industries shall be 3 percent.

Article 11. In the light of the supply and demand situation in different periods, a floating interest rate shall be instituted for the projects concerned, or a regulatory interest rate shall be instituted for projects for the production of different products within the same trade. The floating and regulatory interest rates shall be announced by the State Planning Commission, the Ministry of Finance and the Construction Bank.

Article 12. The interest rates on domestic reserve loans and short-term working capital loans issued by the Construction Bank shall be handled according to provisions laid down in Article 11. Interest on "appropriations turned into loans," domestic reserve loans and short-term working capital loans for the same project shall be calculated on the basis of the actual amount loaned and shall not be subjected to duplicate calculations.

Chapter IV: Loan Contracts

Article 13. Construction units may apply to the local construction bank for loans if the design prospectus, preliminary plan and budgetary estimates (budgets) for their projects have been approved and brought into line with the annual capital construction plan of the state.

Specialized companies, responsible departments, management bureaus (such as the electricity management bureau), and so on that carry out unified accounting may apply for loans and repay loans in a unified way.

For domestic joint ventures, the financing party shall be responsible for seeking and repaying loans.

For joint ventures using Chinese and foreign investment, the Chinese participant shall be responsible for seeking and repaying loans for capital needed by the Chinese side.

For projects in the initial stage funded by "appropriations turned into loans," the responsible departments (or designated units) at the central or local level shall be responsible for seeking and repaying loans.

The construction bank should immediately sign loan contracts with borrowing units if it has been checked that they satisfy the loan conditions.

Temporary loan agreements may be signed in respect of projects in the initial stage funded by "appropriations turned into loans."

Copies of loan contracts shall be sent to the responsible departments and the head and branch offices of the Construction Bank according to jurisdictional relationships.

Article 14. The loan contracts shall include the following main clauses:

1. the title and utilization of the loans;
2. the amount;
3. the interest rate;
4. the term of loan and plan of expenditure for different years;
5. the date of repayment and the plan of amortization;
6. security clauses and responsibility for breach of contract;
7. other clauses mutually agreed on by both parties.

Article 15. The title of the loan, its utilization, amount, term and other provisions of the loan contract must be signed in accordance with the approved capital construction plan and documentation showing planning and budgetary estimates.

The term of loan, including the construction and repayment periods, shall not exceed 15 years as a rule. The construction period should be fixed according to the time limit specified in the design prospectus; the repayment period should be fixed according to technological and economic targets of operation specified in the plan.

The term of loan for individual projects involving a particularly long construction cycle shall be decided on separately.

Loan contracts for projects under construction shall be restricted to that part for which no appropriation has yet been made. The amount shall be determined on the basis of the budgetary estimates of the plan, deducting the sum already appropriated. Balance carried forward from appropriations received in the previous year shall continue to be used in construction and shall not be turned into loans.

Article 16. In the event of any of the following situations, the contract may be altered or canceled:

1. the state plan and budgetary estimate (budget) for the plan on which the loan contract was based is modified or canceled with the approval of the original authorizing body;
2. the project is canceled, suspended or postponed by the competent organ;
3. after the project has been completed and put into operation, the borrowing unit (that is, the construction unit) is dissolved by the responsible organ and the recipient unit agrees to fulfill the responsibilities stipulated in the contract;
4. due to reasons beyond human control, it is impossible to fulfill the terms of the loan contract;
5. there are changes in the term of loan due to state readjustments of the price of products, taxation, and so on.

Should the borrowing party be unable to honor the loan contract due to any of the above reasons, it should promptly notify the loan bank and seek permission to defer fulfillment, to fulfill the terms partially or not at all. On the merits of each case, it may be partially or totally exempted from liabilities arising from breach of contract.

Article 17. Notification or agreement on modification or cancellation of loan contracts must be in writing. Relevant written documents in which both the borrowing and lending parties agree to modify the terms of the loan contract shall become a component of the loan contract.

The delivery and acceptance parties should sign agreements in the event of changes within the borrowing unit. After the changes have taken place, the new party shall continue to undertake the responsibility for honoring the contract and enjoy due rights. After the borrowing unit changes, the new party should notify the loan bank by submitting the delivery and acceptance

agreements together with relevant documentation. After examination and approval, the loan bank shall sign an agreement on modification of contract with the new party.

Article 18. In respect of units that are exempted from repayment of the entire loan according to regulations or with approval, the borrowing unit shall submit a loan application to the construction bank with which it has an account. The application should be supported by documentation showing plans, budgetary estimates and so on. The loan application may take the place of the loan contract.

Chapter V: Payment of Loans

Article 19. Loans to be used by borrowing units shall be controlled by targets. The head office of the Construction Bank and its branches shall take as their basis the yearly borrowing targets for borrowing units fixed by various departments of the State Council, the planning committees of various provinces, autonomous regions and municipalities directly under the central government, as well as the planning committees of cities directly under provincial governments that have their own set of plans in accordance with annual capital construction plans and relevant documents decided on by the state.

For funds needed for reserve equipment (materials) in the following year, domestic reserve loans may be applied for from the Construction Bank.

Article 20. The borrowing unit should draw and use the loan within the credit limits stipulated according to contract terms.

The borrowing unit should submit relevant economic contracts and agreements regarding the drawing and utilization of the loan as well as its annual spending plan to the loan bank.

Article 21. Borrowing units where the investment responsibility system is instituted may apply to the loan bank for short-term working capital loans if the target for annual investment loans fall short due to an acceleration in the progress of construction.

Article 22. The state plans and relevant policies and regulations must be implemented in the payment of loans. Reserve equipment purchased with domestic reserve loans must be kept within the scope of planning and budgetary estimates. Loans for construction and installation must be settled in accordance with state regulations. For other expenses, relevant quotas should be enforced.

Article 23. The loan bank has the right to examine and supervise the implementation of loans, and to get to know the operation and management, plan execution, financial activities, inventory, and so on, of the borrowing units.

The borrowing units should submit the relevant statistics and accounting charts and materials on time.

Chapter VI: The Repayment of Principal With Interest and Its Exemption

Article 24. The loan bank shall charge interest on the actual amount credited to the borrowing unit. Interest shall be calculated at a compound rate.

The borrowing unit shall repay principal with interest according to the time specified in the loan contract and submit a repayment plan to the loan bank each year.

Article 25. Interest on "appropriations turned into loans" items shall be calculated by the Construction Bank on a yearly basis. For projects completed within the construction period stipulated in the plan, principal together with interest shall be repaid year by year after the projects have been put into operation. For those completed beyond the construction period stipulated in the plan, interest is to be paid by the borrowing unit or its leading department at a higher level with its own funds. Interest payment after a project is completed and put into operation shall be paid out of additional profits derived from the project for which the loan is sought if it is paid within the specified repayment period; the part paid beyond this period shall be paid out of the private funds of the enterprise.

Article 26. Before being completed and put into production, projects funded by "appropriations turned into loans" shall not be included in the planned budgetary estimates and the size of investment of these projects.

The capital construction plans of construction units should list the total cost of the project, including both the estimated investment and interest during the construction period specified in the plan, and these are to be listed separately.

Upon completion of projects funded by "appropriations turned into loans," interest on loans during the construction period should be added to the fixed asset value.

Assessment of returns on investment in capital construction projects should be based on their total cost during the construction period.

Article 27. Actual income from interest on "appropriations turned into loans" handled by the Construction Bank shall not be handed over to the financial department but shall be converted into central and local capital construction funds after the deduction of fees by the Construction Bank.

Article 28. In the repayment of principal with interest, the borrowing unit should make full use of the private funds of the enterprise first before making use of pretax profits according to state regulations.

Article 29. Loans for the following projects are interest-free and exempted from the repayment of the entire principal:

- 1) scientific research projects relating to national defense;
- 2) school projects of various types and at various levels;

- 3) hospital, scientific research, administrative and material reserve projects;
- 4) projects for flood prevention and drainage, urban construction, national and frontier defense highways, and frontier post and telecommunication projects at and below the county level;
- 5) projects of other noneconomic departments that are not business related and do not have repayment ability.

Article 30. Units that truly have difficulties making repayment, either because irrational pricing has resulted in excessively small projects after their going into operation, or because projects in the initial stage have been canceled, may be partially or totally exempted from repayment of interest and principal upon approval given in accordance with the following regulations:

- 1) If projects under construction or those in the early stage are arranged by a department of the State Council, that department shall file for exemption. The application shall be examined and approved by the Planning Commission, the Ministry of Finance and the head office of the Construction Bank. Those projects arranged by local authorities shall be examined and approved by the planning committee of the province, autonomous region or municipality directly under the central government, the planning committee of a city directly under the provincial government with power to decide on its own plans, and by financial departments and construction banks at the same level.
- 2) For newly started projects, it is necessary to provide information on economic returns in the design prospectus. This is to be affirmed by various departments of the State Council or engineering consultation units approved by the authorities of provinces, autonomous regions and municipalities directly under the central government. For large and medium-sized projects and small local projects, this is to be affirmed by the State Planning Commission, the planning committee of the province, autonomous region, municipality directly under the central government or the planning committee of a city directly under the provincial government with power to decide on its own plans, when examining and approving the designing prospect, after seeking the opinions of construction banks at the same level. For small projects arranged by various departments of the State Council, this is to be affirmed by these departments when examining and approving the design prospectus with the consent of the State Planning Commission and the head office of the Construction Bank.
- 3) In cases where the design prospectus has been approved but work has not yet commenced, the projects are to be handled in the light of those already under construction.

Article 31. The exemption of repayment of principal and interest noted in Paragraph 5 of Article 29 shall be handled in the light of Article 30.

Chapter VII: Rewards and Penalties

Article 32. For projects funded by "appropriations turned into loans," those borrowing units that have completed and put their projects into production ahead of schedule within the time specified in the loan contract, or those that have paid off principal with interest either through the achievement of better economic results after the projects have been put into production or with private funds, shall be allowed to draw the entire amount of interest saved during the period specified in the loan contract from the repayment funds for use in developing production and awarding the staff members and workers.

Article 33. The loan bank has the right to recall the loan if the loan is not paid off within the time specified in the loan contract, or it may ask other banks with which the borrowing unit has opened accounts to clear the payments on its behalf by deducting the sum from its accounts. Additional interest of 20 percent of the original interest rate shall be charged after the due day.

Article 34. The loan bank has the right to recall part of the loan if the borrowing unit does not use the loan in accordance with the terms stipulated in the contract and to impose penalty interest of 50 percent of the original interest rate on the amount used in violation of the contract.

Article 35. The loan bank shall be held responsible for economic losses incurred due to its failure to provide the loan on time.

Chapter VIII: Bylaws

Article 36. Various departments of the State Council and various localities may formulate supplementary regulations with construction banks at the same level in the light of the actual situation and on the basis of the present provisional regulations. These should be filed with the State Planning Commission, the Ministry of Finance and the head office of the Construction Bank.

Article 37. In principle, funds for the conversion from oil to coal and capital construction arranged through special budgetary outlay of the state should be compensated. The specific methods are to be worked out by relevant competent departments.

Article 38. Capital construction loans to the Construction Bank arranged through the state credit plan shall be governed by regulations formulated by the Construction Bank in accordance with relevant provisions of the present provisional regulations.

Article 39. "Appropriations turned into loans" implemented before the end of 1984 for which loan contracts have been signed shall be executed according to contract terms.

Article 40. The present provisional regulations shall go into effect on 1 January 1985. If former regulations are found to be contradictory to the present regulations, the present regulations shall be followed.

CIRCULAR ON VETERANS' PENSIONS ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 3, 10 Feb 85 pp 78-79

[Circular by the Civil Affairs Ministry and the Ministry of Finance on Regular Pensions for Family Members of Revolutionary Martyrs, Family Members of Servicemen Who Died While on Duty and Family Members of Servicemen Who Died of Illness (10 January 1985)]

[Min [3046] (1985) You [0327] No 3)

[Text] In accordance with Article 45 of the "PRC Constitution" on "Providing Pensions to Families of Martyrs" and Article 55 of the "PRC Military Service Law" on "State Provision of Regular Pensions" to family members of servicemen who died while on duty or who died of illness that have difficulties supporting themselves either because they lack the ability to work or lack fixed income, it has been decided that as of 1 January 1985, regular fixed allowances for family members of revolutionary martyrs, family members of servicemen who died while on duty and family members of servicemen who died of illness shall be replaced by regular pensions, and standards shall be appropriately adjusted. The following are the particulars:

1. Specific standards for regular pensions shall be formulated by the people's governments of various provinces, autonomous regions and municipalities directly under the central authorities in the light of the actual standards of living in the locality and in accordance with the following standards:

a) Family members of revolutionary martyrs and family members of servicemen who died while on duty:

those living in the rural areas shall each receive 20-25 yuan per month;

those living in small cities and towns shall each receive 30-35 yuan per month;

those living in big and medium-sized cities shall each receive 35-40 yuan per month.

b) Family members of servicemen who died of illness:

those living in the rural areas shall each receive 15-20 yuan per month;

those living in small cities and towns shall each receive 25-30 yuan per month;

those living in big and medium-sized cities shall each receive 30-35 yuan per month.

c) For destitute and senile family members of revolutionary martyrs, family members of servicemen who died while on duty and family members of servicemen who died of illness, the standards for regular pensions may be suitably raised in the light of their actual living conditions.

2. Family members of revolutionary martyrs, family members of servicemen who died while on duty and family members of servicemen who died of illness that are eligible for regular pensions shall be issued a "Regular Pension Collection Certificate" by the civil affairs bureau (section) of their county, city or city-administered district, the design of which shall be decided on by the civil affairs department (bureau) of various provinces, autonomous regions and municipalities directly under the central authorities. Regular pensions shall only be paid upon presentation of this certificate.

3. Surviving family members of army cadres who died while on duty or of illness that have already been issued allowances in accordance with regulations of the General Political Department, and surviving family members of revolutionary martyrs of administrative units and of enterprises and establishments that have already been issued allowances by their former units shall continue to receive allowances from their former armed force or other units and shall not be eligible for regular pensions. Should family members wish to collect regular pensions instead, they must obtain proof from former units that payment of allowances has been stopped.

4. Should family members of revolutionary martyrs, family members of servicemen who died while on duty and family members of servicemen who died of illness fail to attain the same standard of living as the masses of the locality after being paid regular pensions, they may be given preferential treatment by the people's government of their village or town with discretion.

5. Additional outlays needed to implement this circular shall be allocated by the Ministry of Finance.

CSO: 4005/1276

END