

CONFORMED COPY

CREDIT NUMBER 1887 CHA
LOAN NUMBER 2924 CHA

(Coastal Lands Development Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

and

JIANGSU PROVINCE

and

ZHEJIANG PROVINCE

Dated September 16, 1988

CREDIT NUMBER 1887 CHA
LOAN NUMBER 2924 CHA

PROJECT AGREEMENT

AGREEMENT, dated September 16, 1988 among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and JIANGSU PROVINCE and ZHEJIANG PROVINCE (the Provinces).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of China (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to forty-four million Special Drawing Rights (SDR 44,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Provinces agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the Loan Agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to forty million dollars (\$40,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Provinces agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS each of the Provinces, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, and the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Execution of the Project

Section 2.01. (a) Each of the Provinces declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and rural development practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 2.02. In order to assist in coordinating and carrying out the Project, the Provinces shall: (i) maintain a Provincial Project Coordinating Committee, with functions and responsibilities acceptable to the Association and the Bank; and (ii) maintain a Provincial Project Office with staff, functions and responsibilities acceptable to the Association and the Bank.

Section 2.03. Except as the Association and the Bank 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 and the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.04. Each of the Provinces shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions applicable to the Development Credit Agreement and in Sections 9.04, 9.06, 9.07, 9.09 and 9.09 of the General Conditions applicable to the Loan Agreement (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.05. (a) Each of the Provinces shall, at the request of the Association or the Bank, exchange views with the Association or the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit and the Loan.

(b) Each of the Provinces shall promptly inform the Association and the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by each of the Provinces of its obligations under this Agreement.

Section 2.06. Each of the Provinces shall cause the respective Corporation to charge interest on Sub-loans at ABC's prevailing rates for similar loans for similar purposes, and shall from time to time review such interest charges with the Association in light of the cost of funds to such Corporation and its financial viability, as well as changes in ABC's interest rates.

Section 2.07. Each of the Provinces shall cause the respective Corporation to use any net cash receipts by such Corporation due to differences in timing between Sub-loan receipts and repayments to the respective Provinces, only for financing activities similar to those assisted under the Project.

ARTICLE III

Financial and Other Covenants

Section 3.01. (a) Each of the Provinces shall: (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition in respect of activities related to its part of the Project; and (ii) cause the respective Corporation to maintain records and accounts, including separate Project accounts, adequate to reflect in accordance with sound accounting practices its operations and financial conditions.

(b) Each of the Provinces shall:

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

(ii) furnish to the Association and the Bank 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, including each of the Corporations' financial statement, in such scope and in such detail as the Association and the Bank shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Credit or Loan Account were made on the basis of statements of expenditures, each of the Provinces shall:

(i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association and the Bank have received the audit report for the fiscal year in which the last withdrawal from the Credit or Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's and the Bank's representatives to examine such records; and

(iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, 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.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which both the Development Credit Agreement and the Loan Agreement become effective.

Section 4.02. (a) This Agreement and all obligations of the Association, the Bank and the Provinces thereunder shall terminate on the earlier of the following two dates:

(i) the date on which both the Development Credit Agreement and the Loan Agreement shall terminate in accordance with their terms; or

(ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement or the Loan Agreement terminates or, both of said Agreements terminate, in accordance with their terms before the date specified in paragraph (a) (ii) of this Section, the Association or the Bank or both, as the case may be, shall promptly notify each of the Provinces of this event.

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

ARTICLE V

Miscellaneous Provisions

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

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For Jiangsu Province:

Jiansu Provincial People's Government
No. 68, Beijing Xi Road, Nanjing,
Jiangsu Province,
People's Republic of China

For Zhejiang Province:

Zhejiang Provincial People's Government
No. 2, Shengfu Road,
Hangzhou, Zhejiang Province
People's Republic of China

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of either of the Provinces, or by either of the Provinces on behalf of the Borrower under the Development Credit Agreement or the Loan Agreement, may be taken or executed by Governor of such Province or such other person or persons as such Governor shall designate in writing, and each of the Provinces shall furnish to the Association and the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. As long as the Bank has not given notice to the contrary to each of the Provinces and so long as the Development Credit Agreement shall not have terminated prior to the termination of the Loan Agreement: (a) the obligations of each of the Provinces to consult with, and to furnish information, documents, plans, reports, records and statements to, the Bank shall be satisfied to the extent that each of the Provinces' performance in respect of such obligations is rendered to the Association; (b) the obligations of the Bank to consult with, and to furnish information to each of the Province shall be satisfied to the extent such obligations are fulfilled by the Association; and (c) all actions taken (including the giving of approvals or the granting of waivers) by the Association pursuant to the Development Credit Agreement shall be deemed to be taken pursuant to both the Development Credit Agreement and the Loan Agreement, and in the name and on behalf of both the Association and the Bank.

Section 5.04. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

Regional Vice President
Asia

JIANGSU PROVINCE

By /s/ Han Xu

Authorized Representative

ZHEJIANG PROVINCE

By /s/ Han Xu

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, goods shall be grouped under contracts estimated to cost the equivalent of \$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in China may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items or groups of items estimated to cost less than the equivalent of \$200,000 per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Association and the Bank.

2. (i) breeding stock; (ii) items or groups of items estimated to cost less than the equivalent of \$50,000 per contract and (iii) off-the-shelf items acceptable to the Association and the Bank 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, in accordance with procedures acceptable to the Bank.

3. Works for pond construction, plantation establishment and on-farm works shall be procured in accordance with local procedures satisfactory to the Association and the Bank.

4. Contracts for civil works for the construction of facilities to be provided under the Project shall be awarded in accordance with local competitive bidding procedures acceptable to the Association and the Bank.

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

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

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the 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 Schedules 3 and 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association and the Bank have authorized withdrawals from the Credit and Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 3.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

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

Implementation Program

1. Each of the Provinces shall ensure that Project activities shall be carried out in conformity with appropriate guidelines on environmental control issued by the Provinces and acceptable to the Association and the Bank.

2. Each of the Provinces shall ensure that agro-processing facilities constructed under the Project will be managed by competent staff with experience and background acceptable to the Association and the Bank.

3. Each of the Provinces shall carry out the staff training to be provided under the Project in accordance with a training program agreed between the Association, the Bank and the Provinces, such training program to be reviewed by the Association, the Bank and the Province on an annual basis.

4. Each of the Provinces shall furnish to the Association and the Bank semi-annually the progress reports within 60 days of the end of each six-month period.

5. Jiangsu Province shall: (i) by November 1 of each year, prepare and discuss with the Association and the Bank a plan for provision of chemical fertilizer sufficient to meet crop nutrient requirements of the following year; and (ii) thereafter implement such a plan.

6. Each of the Province shall establish and thereafter maintain, a working group to study the marketability of shrimp, with membership, terms of reference and funding level, all satisfactory to the Association and the Bank.