

CONFORMED COPY

CREDIT NUMBER 2296 CHA

(Shanghai Metropolitan Transport Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SHANGHAI MUNICIPALITY

Dated October 28, 1991

CREDIT NUMBER 2296 CHA

PROJECT AGREEMENT

AGREEMENT, dated October 28, 1991, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SHANGHAI MUNICIPALITY (Shanghai).

WHEREAS 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 four hundred thousand Special Drawing Rights (SDR 44,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Shanghai agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Shanghai, in consideration of the Association's entering into the Development Credit 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 Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Shanghai 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 and engineering 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 provision of paragraph (a) of this Section and except as the Association shall otherwise agree, Shanghai shall carry out the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. 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 3 to the Development Credit Agreement.

Section 2.03. Shanghai 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 (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 and its part of the Project.

Section 2.04. (a) Shanghai shall, at the request of the Association, exchange views with the Association with regard to the progress of its part of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

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

ARTICLE III

Financial Covenants

Section 3.01. (a) Shanghai shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition in respect of the activities related to the Project.

(b) Shanghai 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;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A)

certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

Section 3.02. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, Shanghai shall:

(i) maintain in accordance with sound accounting practices, records and accounts reflecting such expenditures;

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

(iii) enable the Association's representatives to examine such records.

(b) Shanghai shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year 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

(iii) 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 IV

##### Effective Date; Termination; Cancellation and Suspension

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

Section 4.02. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### 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:

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

For Shanghai:

Shanghai Municipal Finance Bureau  
60 Jiu Jiang Road  
Shanghai, People's Republic of China

Telex:

33685 SMFB

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 Shanghai, or by Shanghai on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Mayor of Shanghai or such other person or persons as the Mayor shall designate in writing, and the Mayor shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. 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

By /s/ A. Karaosmanoglu

Regional Vice President  
Asia

SHANGHAI MUNICIPALITY

By /s/ Zhu Qizhen

Authorized Representative

SCHEDULE

### Implementation Program

1. Shanghai shall establish, not later than January 1, 1992, and thereafter maintain, the Project Implementation Unit with staffing and responsibilities satisfactory to the Association, and shall carry out the Project in accordance with arrangements agreed with the Association.
  2. Shanghai shall furnish to the Association, for the Association's review and comments, during the Project implementation period (i) not later than June 30, 1992, its current medium-term transportation investment plan, and (ii) not later than June 30, thereafter, subsequent annual investment plans.
  3. Shanghai shall carry out the resettlement of the people affected by the Project, in accordance with the plan agreed with the Association.
  4. Shanghai shall furnish to the Association, not later than January 1, 1992, for the Association's review and comments, arrangements for coordinating, planning and implementing the Traffic Safety and Management Program under Part B of the Project.
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