

CONFORMED COPY

CREDIT NUMBER 2571-CHA

(Songliao Plain Agricultural Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LIAONING PROVINCE and JILIN PROVINCE

Dated March 23, 1994

Credit Number 2571-CHA

PROJECT AGREEMENT

AGREEMENT, dated March 23, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and LIAONING PROVINCE and JILIN PROVINCE (Project Provinces).

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 one hundred forty-eight million five hundred thousand Special Drawing Rights (SDR148,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Project Provinces agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS: the Project Provinces, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have 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) The Project Provinces declare their 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 their respective parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, agricultural and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for their respective parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Project Provinces shall otherwise agree, the Project Provinces shall carry out their respective parts of the Project in accordance with the Implementation Program set forth in Schedule 2 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 1 to this Agreement.

Section 2.03. The Project 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 (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 their respective parts of the Project.

Section 2.04. (a) The Project Provinces shall, at the request of the Association, exchange views with the Association with regard to the progress of the project, the performance of their respective obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) The Project Provinces shall promptly inform the Association 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 the Project Provinces of their respective obligations under this Agreement.

ARTICLE III

Financial and Other Covenants

Section 3.01. (a) Each of the Project Provinces shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of their respective parts of the Project and of the departments or agencies of the Project Provinces responsible for carrying out the Project.

(b) Each of the Project Provinces shall:

(i) 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;

(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; 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.

Section 3.02. Jilin shall construct the farm-level drainage networks related to the Song Qi irrigation scheme under Part A.2 of the Project in accordance with construction plans satisfactory to the Association.

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

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify the Project 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.

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:

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

For Jilin:

Jilin Provincial Bureau of Finance
60 Stalin Street
Changchun 130051

Jilin Province
People's Republic of China

Telex:

83109 JLFB CN

For Liaoning:

Liaoning Provincial Bureau of Finance
No. 103, North Nanjing Street
Heping District
Shenyang 110002
Liaoning Province
People's Republic of China

Cable address:

1908

Telex:

804129 LNFB CN

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 one of the Project Provinces, or by such Project Province on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Vice Governor or such other person or persons as the Vice Governor shall designate in writing, and the Project Province 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/ Callisto E. Madavo

Acting Regional Vice President
East Asia and Pacific

JILIN PROVINCE
LIAONING PROVINCE

By /s/ Li Daoyu

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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the respective Project Provinces shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the respective Project Provinces shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages 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.1 hereof, the Borrower may grant a margin of preference to domestic suppliers 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. Works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, except that works for small canals, drains, land development and minor site preparation estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$18,200,000, may be carried out by force account.

2. Specialized vehicles and equipment, computer and office equipment, agroprocessing equipment, pesticides and livestock supplies up to an aggregate amount equivalent to \$5,400,000 may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

3. Small pumps, motors, irrigation, fishery and electrical equipment, pipes, farm and livestock tools, small processing equipment and materials and supplies estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$45,800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Items or groups of items for miscellaneous small equipment, supplies, furnishings and small production inputs estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$29,000,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

5. Contracts for saplings, seedlings and livestock and aquaculture breeding stock which can be obtained only from one source in the area may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the

Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for works or goods estimated to cost the equivalent of \$500,000 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 a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of such 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 a 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 pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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 Project Provinces in carrying out the Project, the Project Provinces shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to 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 (the Consultant Guidelines). For complex, time-based assignments, the Project Provinces shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Project Provinces shall use other standard forms agreed with the Association.

SCHEDULE 2

Implementation Program

Part A: Irrigation Schemes under Part A of the Project

1. Jilin shall: (a) by June 30, 1996, prepare and furnish to the Association for approval, a plan of operation and maintenance for the pumping stations in the irrigation and drainage schemes in Jilin under Part A of the Project; and (b) by December 31 of each year, review and revise the charges paid by water users under such schemes so as to cover all operation and maintenance costs by December 31, 2000.

2. Liaoning shall prepare and furnish to the Association by October 31 in each year a report on the groundwater monitoring and assessment during the preceding May 1 to April 30 for each of the areas in Liaoning developed for groundwater irrigation under the Project.

3. (a) The Project Provinces shall cause the dams and reservoirs supplying the irrigation systems under Part A of the Project to be maintained and inspected periodically in accordance with sound engineering practice, under arrangements satisfactory to the Association.

(b) The Project Provinces shall ensure that all persons who are involuntarily resettled, or whose rights to land are compulsorily acquired, under the Project receive adequate compensation for assets, logistic support for moving and relocation assistance.

Part B: Agricultural Inputs

1. The Project Provinces shall ensure that the imported fertilizers and pesticides provided under the Project shall be sold to farmers at prices which cover the costs of procurement, transportation and distribution.

2. The Project Provinces shall ensure that:

(a) all agrochemicals under the Project shall have been approved by the Association; and

(b) the storage, handling, distribution and use of such agro-chemicals shall be consistent with guidelines satisfactory to the Association.

Part C: Livestock Processing and Agroprocessing

1. The Project Provinces shall:

(a) ensure that the final designs for effluent treatment for each livestock processing plant and each agroprocessing plant under Parts E and G of the Project have been approved by the relevant provincial environmental protection bureau prior to beginning construction of such plant; and

(b) ensure that each enterprise shall monitor and treat effluents from such plants adequately before disposal, under the supervision of such bureau.

2. The Project Provinces shall:

(a) by June 30, 1998, cause the semen produced by the artificial insemination stations under Part E.2 of the Project to be sold at prices which cover the full cost of production; and

(b) cause the goslings produced at the Changtu hatchery under Part E.1 of the Project to be sold at prices which cover the full cost of production.

Part D: Project Management

1. (a) The Project Provinces shall ensure that all Project activities shall conform to environmental standards and guidelines, including the environmental regulations and guidelines issued by the National Environmental Protection Agency and the Provincial Environmental Protection Bureaus, which shall be satisfactory to the Association.

(b) To that end, the Project Provinces shall each prepare and furnish to the Association for its concurrence an environmental management plan for Project activities, by December 31, 1994, and thereafter, shall implement their respective environmental management plans as agreed with the Association.

2. The Project Provinces shall maintain or cause to be maintained:

(a) a project leading group at the provincial level to coordinate Project implementation among various local agencies, with composition and responsibilities acceptable to the Association; and

(b) a project management office at the provincial level to undertake day-to-day implementation and coordination of Project activities, with functions and responsibilities acceptable to the Association, staffed by qualified and experienced staff in adequate numbers.

3. The Project Provinces shall, by April 30 of each year, prepare and furnish to the Association for review a detailed statement of approved budgetary allocations, for Project implementation for the following year.

4. The Project Provinces shall ensure that all training, including study tours, and research under the Project shall be carried out in accordance with training and research plans satisfactory to the Association. To that end, the Project Provinces shall cause their respective Provincial PMOs to prepare and furnish to the Association for approval:

(a) by October 31 in each year, the research plan proposed to be carried out in the next year; and

(b) by October 31 in each year, the proposed plan for domestic and overseas training and study tours to be carried out in the next year.

Part E: Financial Management

1. Each Project Province shall on-lend a portion of the proceeds of the Credit through the local government finance departments to farmers and to enterprises, in the form of loans bearing interest at rates no less than the prevailing rate charged by ABC or other commercial banks acceptable to the Association to farmers and to enterprises for similar loans for similar purposes, of similar maturities.

2. The Project Provinces shall establish and operate three revolving funds in accordance with procedures satisfactory to the Association:

(a) a revolving fund for agricultural inputs, financed from the proceeds of sales of fertilizer, pesticides and fuel under Part C of the Project;

(b) a revolving fund for financing new livestock production activities, financed from the repayments of loans made for activities under Part E of the Project; and

(c) a revolving fund for new well development and water-saving pipes, financed from payments of loans made for wells.

Part F: Reports

Without limitation to the reporting provisions of Section 9.06 of the General Conditions, the Project Provinces shall:

(a) furnish to the Association by March 31 and September 30 of each year during implementation of the Project, a report on the progress made by the respective Project Provinces in carrying out the Project; and

(b) by not later than October 31, 1996, carry out a midterm review with the Association and the Borrower of the progress of and prospects for Project implementation.

