

CONFORMED COPY

LOAN NUMBER 4570 CHA

Project Agreement

(Yangtze Dike Strengthening Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

HUBEI PROVINCE
HUNAN PROVINCE

Dated August 10, 2000

LOAN NUMBER 4570 CHA

PROJECT AGREEMENT

AGREEMENT, dated August 10, 2000, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and Hubei Province and Hunan Province (collectively, the Project Provinces, and individually, a Project Province).

WHEREAS by the Loan Agreement of even date herewith between People's Republic of China (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to two hundred ten million dollars (\$210,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Project Provinces agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS the Project Provinces, in consideration of 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 Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Each Project Province declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental 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 Bank and the Project Province concerned shall otherwise agree, each Project Province shall carry out its Respective Part of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as 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 Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement.

Section 2.03. (a) Each Project Province shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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 its Respective Part of the Project.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, each Project Province shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Borrower not later than 4 months after the Closing Date or such later date as may be agreed for this purpose between the Bank and said Project Province, for forwarding by the Borrower to the Bank pursuant to Section 3.03(a) of the Loan Agreement, a plan for the future operation of its Respective Part of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with the Borrower and said Project Province on said plan.

Section 2.04. (a) Each Project Province shall, at the request of the Bank, exchange views with the Bank with regard to progress of its Respective Part of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Loan.

(b) Each Project Province shall promptly inform the Bank of any

condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of Loan, or the performance by said Project Province of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Each Project Province 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 its Respective Part of the Project.

(b) Each Project Province 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 Bank;

(ii) furnish to the Bank 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank 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 Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of each Project Province thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify said Project Province thereof.

Section 4.03. All this 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 facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

	Cable address:	Telex:	Facsimile:
477-6391	INTBAFRAD	248423 (MCI) or	(202)
	Washington, D.C.	64145 (MCI)	

For Hubei:

Finance Bureau, Hubei Province
No. 8 Zhongbei Road
Wuchang, Wuhan City 430071
People's Republic of China

Telex:	Facsimile:
5815	8627-87849682

For Hunan:

Finance Bureau, Hunan Province
No. 1 West Cheng'nan Road
Changsha City 410015
People's Republic of China

Facsimile:
86731-5165184

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 each Project Province, may be taken or executed by the Governor or any Vice Governor of said Project Province or such other person or persons as said Governor or Vice Governor shall designate in writing, and said Project Province shall furnish to the Bank 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 Beijing, People's Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Authorized Representative

HUBEI PROVINCE
HUNAN PROVINCE

By /s/ Zhu Guangyao

Authorized Representative

SCHEDULE

Implementation Program

A. Project Management

1. In order to ensure the proper carrying out of the Project and the continued achievement of its objectives, each Project Province shall at all times during Project implementation maintain, with terms of reference and resources acceptable to the Bank:

(a) a leading group with membership acceptable to the Bank, to be responsible for the oversight of said Project Province's Respective Part of the Project and the provision of policy guidance to the Project management offices referred to in subparagraph (b) of this paragraph 1;

(b) a Project management office at the provincial level headed by a competent manager and assisted by qualified staff in adequate numbers, to be responsible for the implementation within its jurisdiction, of said Project Province's Respective Part of the Project, including the procurement of goods and services and monitoring and evaluation of the implementation of its Respective Part of the Project;

(c) an environmental management division within the Project management office at each of the provincial and prefecture or municipal levels, headed by a competent manager and assisted by qualified staff in adequate numbers, to be responsible for the coordination and supervision of said Project Province's Respective Environmental Management Plan;

(d) a resettlement management division within the Project management office at each of the provincial, prefecture or municipal, and county levels, headed by a competent manager and assisted by qualified staff in adequate numbers, to be responsible for the coordination and supervision of said Project Province's Respective Resettlement Action Plan; and

(e) a Project management office at the level of each prefecture or municipality and county in which said Project Province's Respective Part of the Project will be carried out, each such office to be headed by a competent manager and assisted by qualified staff in adequate numbers, and to be responsible for the implementation within its jurisdiction, of said Project Province's Respective Part of the Project.

2. Each Project Province shall employ, not later than September 15, 2000 and thereafter at all times maintain:

(a) a monitoring institution with terms of reference, qualifications and experience acceptable to the Bank, to monitor,

evaluate and report on the socio-economic progress of all persons covered by its Respective Resettlement Action Plan; and

(b) a panel of environmental and resettlement experts with terms of reference, qualifications and experience acceptable to the Bank, to assist in overseeing the implementation of the Environmental Management Plan and Resettlement Action Plan and monitoring the impact of the implementation of the Project on the environment.

B. Environment; Resettlement

1. Each Project Province shall carry out its Respective Environmental Management Plan in a manner designed to ensure that its Respective Part of the Project is implemented in accordance with sound environmental practices and standards.

2. Each Project Province shall carry out its Respective Resettlement Action Plan in a manner designed to: (a) minimize to the extent possible any change in land or water use that would result in the involuntary loss by persons of shelter, productive assets or access to productive assets, or of income or means of livelihood; and (b) improve the living standards and production levels of all Affected Persons under its Respective Part of the Project.

3. Each Project Province shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of its respective Environmental Management Plan and Resettlement Action Plan and the achievement of their respective objectives; (b) include the results of such monitoring and evaluation activities (including those of the monitoring institution referred to in Part A.2(a) of this Schedule) in each report to be prepared by it and furnished to the Borrower pursuant to Part E(2) of this Schedule, together with any revisions proposed to be introduced into such plans in order to achieve their respective objectives; and (c) introduce such revisions into such plans as shall have been agreed with the Bank.

C. Annual Implementation Plans

1. Each Project Province shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Borrower not later than December 1, 2000 and, thereafter, not later than October 1 in each subsequent year, for forwarding to the Bank, a proposed plan for the implementation of its Respective Part of the Project during the following calendar year, said plan to: (a) describe the activities which it proposes to carry out under its Respective Part of the Project during such period, including the proposed training program and study tours to be carried out by it during such period; and (b) be accompanied by a financing plan therefor, and evidence satisfactory to the Bank that funds in adequate amounts are available for the payment of expenditures to be incurred in the carrying out of said Project Province's Respective Part of the Project during such period.

2. Each Project Province shall afford the Borrower and the Bank a reasonable opportunity to exchange views with said Project Province on each such plan furnished by said Project Province, and thereafter, shall carry out its Respective Part of the Project during the period covered by such plan in accordance with such plan, taking into account the views of the Bank on the matter.

D. Operations and Maintenance of Dikes

1. In order to ensure the financial and physical sustainability of the flood protection facilities included under its Respective Part of the Project, each Project Province shall take the following measures:

(a) The Project Province shall prepare, in accordance with terms of reference acceptable to the Bank, and furnish to the Borrower not later than November 15, 2002, for forwarding to the Bank, a plan designed to ensure the proper operation and maintenance of all such facilities, said operation and maintenance plan to be accompanied by an adequate financing plan therefor.

(b) The Project Province shall: (i) afford the Borrower and the Bank a reasonable opportunity to review with said Project Province such operation and maintenance plan as shall have been furnished by it; and (ii) thereafter carry out such plan, taking into account the views of the Bank in the matter.

(c) In order to assist the Project Province in the preparation of the operation and maintenance plan referred to in this paragraph 1, the Project Province shall employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

2. In order to recover the recurrent costs of operation and maintenance of the flood protection facilities upgraded or constructed under the Project from the beneficiaries of such facilities, each Project Province shall take the following measures:

(a) The Project Province shall: (i) promptly upon completion of the facilities which are constructed or upgraded under the Project, establish and collect flood protection charges from the beneficiaries thereof, to recover a substantial portion of the operation and maintenance costs of said facilities as they are incurred; and (ii) finance the operation and maintenance costs of said facilities not covered by said flood protection charges in a manner satisfactory to the Bank.

(b) To that end, the Project Province shall: (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Borrower and the Bank not later than March 31, 2002, the proposed schedule of such charges and timetable for its establishment and proposal for financing the operation and maintenance costs not covered by such charges, together with any information pertaining thereto that the Bank may reasonably request; (ii) afford the Bank a reasonable opportunity to exchange views with the Borrower and the Project Provinces on such schedule and timetable; and (iii) thereafter promptly take all measures required on its part to introduce such schedule according to said timetable, taking into account the views of the Bank on the matter.

(c) The Project Province shall: (i) review (A) the progress in collecting such charges and (B) the structure and levels of such charges, not later than January 1 in each calendar year; (ii) prepare in accordance with guidelines acceptable to the Bank and furnish to the Borrower and the Bank not later than March 1 in each year for forwarding to the Bank, a report on the results of such review; (iii) afford the Borrower and the Bank a reasonable opportunity to exchange views with the Project Province on each such report; and (iv) thereafter adjust such charges as necessary so as to continue to give effect to the provisions of this paragraph 2, and take all appropriate measures to ensure the continued collection of such charges, taking into account the views of the Bank on the matter.

(d) The Project Province shall maintain a separate accounting for funds collected within its jurisdiction pursuant to the provisions of this paragraph 2 and cause all said funds to be used exclusively for the purposes specified in such paragraph 2.

E. Monitoring and Evaluation

1. Each Project Province shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of its Respective Part of the Project and the achievement of the objectives thereof.

2. Each Project Province shall prepare, under terms of reference satisfactory to the Bank, and furnish the following reports to the Borrower, for forwarding to the Bank:

(a) semi-annual progress reports, not later than April 1 and October 1 in each calendar year, said reports to: (i) summarize the results of such monitoring and evaluation activities on the progress achieved in the carrying out of said Project Province's Respective Part of the Project during the preceding calendar semester; (ii) set forth physical and financial progress in the implementation of its Respective Part of the Project, both cumulatively, and in respect of such preceding calendar semester; and (iii) set out any additional measures recommended to ensure the efficient carrying out of its Respective Part of the Project and the achievement of its objectives during such following calendar year; and

(b) a mid-term report, not later than July 15, 2002, said report to: (i) summarize the results of such monitoring and evaluation activities on the progress achieved in the carrying out of its Respective Part of the Project to date; and (ii) set out any additional measures recommended to ensure the efficient carrying out of its Respective Part of the Project and the achievement of the objectives thereof during the period following such date.

3. After furnishing each such report, said Project Province shall review the same with the Borrower and the Bank, and, thereafter, promptly take all measures required to ensure the efficient completion of its Respective Part of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

