

CONFORMED COPY

LOAN NUMBER 4328 CHA

Project Agreement

(Second Inland Waterways Project)

among

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

GUANGDONG PROVINCE

and

JIANGSU PROVINCE

Dated December 18, 1998

LOAN NUMBER 4328 CHA

PROJECT AGREEMENT

AGREEMENT, dated December 18, 1998, among INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and GUANGDONG PROVINCE (Guangdong) and JIANGSU PROVINCE (Jiangsu) (Guangdong and Jiangsu hereinafter collectively referred to as the Project Provinces, and individually as a Project Province).

WHEREAS (A) 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 one hundred twenty three million dollars (\$123,000,000), 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; and

WHEREAS the Project Provinces, in consideration of the Bank's entering into the Loan 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 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 its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and economic practices, and safety and environmental standards acceptable to the Bank, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of 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 Schedule 2 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 1 to this 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 the Project Agreement and 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 Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and said Project Province, 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 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 the 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 of the departments or agencies of such Project Province responsible for carrying out its Respective Part of the Project or any part thereof.

(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 such 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 each  
Project Province thereof.

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 Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For Guangdong Province:

Guangdong People's Government  
305 Dongfeng Road  
Guangzhou 510031  
Guangdong Province  
People's Republic of China

Telex:

44437 GDSIC CN

For Jiangsu Province:

Jiangsu People's Government  
68 West Beijing Road  
Nanjing 210024  
Jiangsu Province  
People's Republic of China

Telex:

342250 FBOJP

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 a Project Province may be taken or executed by a Vice Governor of said Project Province or such other person or persons as such 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino

Regional Vice President  
East Asia and Pacific

GUANGDONG PROVINCE

By /s/ Li Zhaoxing

Authorized Representative

JIANGSU PROVINCE

By /s/ Li Zhaoxing

Authorized Representative

#### SCHEDULE 1

#### Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and in September 1997 (the

Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification Bidders shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors, excluding goods manufactured in and works carried out by contractors from Hong Kong Special Administrative Region.

(c) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works under Part A.1 of the Project estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$28,800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping

Goods estimated to cost (i) the equivalent of \$100,000 or more but less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$600,000 in respect of each of the Project Provinces, and (ii) less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$400,000 in respect of each of the Project Provinces, may be procured under contracts awarded on the basis of international and national shopping procedures, respectively, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for: (i) works estimated to cost the equivalent of

\$1,000,000 or more, and (ii) goods estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

### Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications Services under Parts A.2, A.3, B.2 and B.3 of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

### Part D: Review by the Bank of the Selection of Consultants

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

#### 2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be

awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

A. Resettlement and Environmental Action Plans

In respect of its Respective Part of the Project, each Project Province shall:

(a) carry out its Respective RAP and Respective EAP in a manner satisfactory to the Bank;

(b) furnish any proposed revision of the plans referred to in sub-paragraph (a) above to the Bank for its prior approval; and

(c) 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 the plans referred to in sub-paragraph (a) above.

B. Institutional Development

1. Each Project Province shall carry out the training under: (a) Part A.2 in respect of Guangdong Province, and (b) Part B.2 in respect of Jiangsu Province, in accordance with a training program acceptable to the Bank.

2. Guangdong shall: (a) by no later than December 31, 2000, complete the study on navigational safety measures under Part A.3 (i) of the Project in accordance with terms of reference acceptable to the Bank, and provide to the Bank for its review and comments the results and recommendations of such study; and (b) thereafter, put into effect the recommendations of such study taking into consideration the Bank's comments thereon.

3. Guangdong shall: (a) by no later than December 31, 2001, complete the study on the commercialization of the dredging department of GPWB under Part A.3 (ii) of the Project, in accordance with terms of reference acceptable to the Bank, and provide to the Bank for its review and comments the results and recommendations of such study; and (b) thereafter, implement the recommendations of such study taking into consideration the Bank's views thereon.

4. Jiangsu shall: (a) by no later than December 31, 2001, complete the second phase of a study on vessel size and efficiency of waterway transport under Part B.3 of the Project, in accordance with terms of reference acceptable to the Bank, and provide to the Bank for its review and comments the results and recommendations of such study; and (b) thereafter, implement the recommendations of such study taking into considerations the Bank's views thereon.

5. In respect of Part A.2 (ii) of the Project, Guangdong shall: (a) prepare under guidelines acceptable to the Bank a plan for the collection of additional revenues for GPWB, including a channel construction fee, for the purpose of raising the annual revenues of GPWB; (b) by no later than July 1, 1999 furnish to the Bank for its review and comments said revenue collection plan; and (c) take all actions necessary on its part to put into effect said revenue collection plan for the fiscal year starting on January 1, 2000, taking into account the Bank's views thereon

6. In respect of Part A.2 (ii) and Part B.2 (ii) of the Project, Guangdong and Jiangsu shall cause GPWB and JPWB, respectively, to: (a) by no later than June 30 of each year, starting in 1999, furnish to the Bank a rolling five-year financing plan for GPWB and JPWB, respectively, satisfactory to the Bank; and (b) thereafter, take all action to implement said financing plan.

C. Monitoring and Reporting

Each Project Province shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of its Respective Part of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, (i) a quarterly report on January 31, April 30, July 31 and October 31 of each year, starting on April 30, 1999; and (ii) a mid-term report on or about July 31, 2002, in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in the carrying out of its Respective Part of the Project during the period preceding the date of each such report and setting out the 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; and

(c) review with the Bank, by October 31, 2002, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) (ii) of this paragraph, and, thereafter, 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.

