

CONFORMED COPY

LOAN NUMBER 3530-CHA

(Guangdong Provincial Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

GUANGDONG PROVINCE

Dated December 16, 1992

LOAN NUMBER 3530-CHA

PROJECT AGREEMENT

AGREEMENT, dated December 16, 1992, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and GUANGDONG PROVINCE (Guangdong).

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 in various currencies equivalent to two hundred forty million dollars (\$240,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Guangdong agrees to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Guangdong, 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 Preamble to this Agreement, the Loan Agreement, and the General Conditions (as so defined) have the respective meanings therein set forth and the following terms have the following meanings:

(a) "GPCD" means the Guangdong Provincial Communications Department, a department of Guangdong, or any successor or successors thereto.

(b) "GPFC" means the Guangdong Provincial Freeway Company, an agency of Guangdong, or any successor or successors thereto.

(c) "GPHAB" means the Guangdong Provincial Highway Administration Bureau, an agency of Guangdong, or any successor or successors thereto.

(d) "MOC" means the Ministry of Communications of the Borrower or any successor or successors thereto.

ARTICLE II

Execution of the Project

Section 2.01. (a) Guangdong 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, 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 provisions of paragraph (a) of this Section and except as the Bank and Guangdong shall otherwise agree, Guangdong shall carry out 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 Subsidiary Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Guangdong 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.

Section 2.04. (a) Guangdong shall, at the request of the Bank, exchange views with 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 Loan.

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

ARTICLE III

Financial Covenants

Section 3.01. (a) Guangdong 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 the Project of the departments or agencies of Guangdong responsible for carrying out the Project or any part thereof.

(b) Guangdong 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 Guangdong thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Guangdong 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, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

For Guangdong:

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

Telex:

44437 GDSIC 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 Guangdong, may be taken or executed by Governor or Vice Governor of Guangdong or such other person or persons as Governor or Vice Governor of Guangdong shall designate in writing, and Guangdong shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

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/ Shahid Javed Burki

Acting Regional Vice President
East Asia and Pacific

GUANGDONG PROVINCE

By /s/ Zhao Xixin

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 D hereof, goods and works 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).

2. Bidders for civil works shall be prequalified as provided in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in People's Republic of 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the

Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. (a) Except as provided in sub-paragraph (b) hereof, items or groups of items of goods, estimated to cost up to an aggregate amount equivalent to \$2,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

(b) Items or groups of items of goods, estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount equivalent to \$3,000,000, 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 Bank.

2. (a) Civil works for a 22.4 kilometer section of the Longgang-Tanxi Highway (Section No. 4) under Part A.1 (a) (ii) of the Project, estimated to cost the equivalent of about \$60,000,000, may be procured under one contract awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Civil works for the test embankments about 300 meters in length, under Part A.1 (a) (ii) of the Project, to investigate soft soil conditions may be carried out through force account.

3. (a) Except as provided in sub-paragraph (b) hereof, civil works, under Parts A.1 (b) and B.1 of the Project, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Civil works under Parts A.1 (b), B.1 and C of the Project, estimated to cost less than the equivalent of \$2,000,000 per contract, up to an aggregate amount equivalent to \$70,000,000, may be procured under contracts awarded on the basis of comparison of price bids obtained from at least three contractors eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part E: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for goods and civil works each estimated to cost the equivalent of \$2,000,000 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 Bank pursuant to said paragraph 2 (d) shall be furnished to 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 Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

(c) The provisions of the preceding sub-paragraph (b) shall not apply to

contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

3. 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 Guangdong in carrying out the Project, Guangdong shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. 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.

SCHEDULE 2

Implementation Program

A. Implementation

1. Guangdong shall, under the general supervision and guidance of MOC, carry out the Project as follows:

- (a) Parts A and D.2(a) of the Project shall be carried out through GPFPC.
- (b) Parts B, C, and D.2(b) of the Project shall be carried out through GPHAB.
- (c) Parts D.1 and D.3 of the Project shall be carried out through GPCD.

2. Guangdong shall, by December 31, 1996, construct approximately 1,000 meters of highway at Xieben to link the Guangzhou-Foshan highway to the Foshan-Kaiping highway.

3. Guangdong shall ensure that staffing levels and training for construction supervision personnel for the Highways and the Sub-projects shall be satisfactory to the Bank.

4. Guangdong shall undertake the training under Part D.3 of the Project in accordance with programs acceptable to the Bank and shall ensure that the offices of the GPCD are staffed with trained staff in adequate numbers.

5. Guangdong shall: (a) establish by June 30, 1993 and thereafter maintain a unit for the Road Improvement Program staffed with qualified and experienced personnel in adequate numbers to provide overall management and supervision; and (b) ensure that the local transport administrations shall provide qualified and experienced personnel in adequate numbers and sufficient resources for the administration, preparation and supervision of the Sub-projects.

B. Environment and Resettlement

1. Guangdong declares its commitment to the preservation of the environment and, to this end, shall carry out the environmental protection measures stipulated in the environmental action plans, prepared by Guangdong in respect of Part A (1) of the Project and agreed by the Bank, in a manner satisfactory to the Bank.

2. Guangdong declares its commitment to the Bank's policy on resettlement, and, to this end, shall carry out the land acquisition and resettlement activities pursuant to the resettlement action plans, prepared by Guangdong in respect of Part A (1) of the Project and agreed by the Bank, in a manner satisfactory to the Bank.

3. Guangdong shall: (a) by December 31, 1993, prepare, in consultation with the Bank, a resettlement monitoring plan to monitor the effectiveness and socio-economic impact of the resettlement; and (b) thereafter carry out the said plan as agreed with the Bank.

4. Guangdong shall: (a) by December 1 in each year after 1992, review the progress in the implementation of the resettlement action plans in respect of the Highways and

the Sub-projects including all aspects of physical progress, financial impacts, and socio-economic impacts with the concerned departments and agencies; and (b) by December 31 in each such year, submit to the Bank a report of the said review including recommendations for modifying the said resettlement action plans in light of the progress made.

C. Sub-Projects

Guangdong shall select Sub-projects in accordance with criteria and procedures satisfactory to the Bank and shall, inter alia: (a) submit, for the Bank's approval, each Sub-project proposal including an environmental action plan and a resettlement action plan therefor; and (b) ensure that during the execution of each Sub-project both the environmental action plan and resettlement action plan therefor are carried out in a manner satisfactory to the Bank.

D. Highway Financing

1. Guangdong shall: (a) prepare a time-based and costed action program for implementing a revised system of highway financing in accordance with terms of reference agreed by the Bank and furnish the program to the Bank by December 31, 1993; and (b) thereafter take appropriate steps to implement the said program in consultation with the Bank.

2. Guangdong shall prepare and furnish to the Bank for its review and comments, by December 31, 1996, recommendations on appropriate toll levels for the Highways taking into consideration the experience with operation of other toll highways in China.

