

CONFORMED COPY

LOAN NUMBER 4570 CHA

Loan Agreement

(Yangtze Dike Strengthening Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 10, 2000

LOAN NUMBER 4570 CHA

LOAN AGREEMENT

AGREEMENT, dated August 10, 2000, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) Part of the Project will be carried out by the Borrower's Provinces of Hubei and Hunan (collectively, the Project Provinces, and individually, a Project Province) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to the Project Provinces, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and the Project Provinces (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, is modified to read:

"'Euro', ' ' and 'EUR' each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union."

(b) A new paragraph (d) is added to Section 3.04 to read:

"If the Bank shall at any time receive less than the full amount then due and payable to it under the Loan Agreement, the Bank shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Loan Agreement as the Bank shall in its sole discretion determine."

(c) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings wherever used herein:

(a) "Affected Person" means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "Category" means a category of items as set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) "CWRC" means the Chang-Jiang Water Resources Commission of

MWR, and any successor thereto.

(d) "Environmental Management Plan" means the environmental management plan for the Project, acceptable to the Bank, prepared by the Research Institute for the Yangtze Water Resources Protection, and dated November 1999, as may be revised from time to time pursuant to Part B.2 of Schedule 5 to this Agreement.

(e) "Hubei" means the Borrower's Province of Hubei, and any successor thereto.

(f) "Hunan" means the Borrower's Province of Hunan, and any successor thereto.

(g) "MOF" means the Borrower's Ministry of Finance, and any successor thereto.

(h) "MWR" means the Borrower's Ministry of Water Resources, and any successor thereto.

(i) "Project Provinces" means, collectively, Hubei and Hunan; and "Project Province" means any of the Project Provinces.

(j) "Project Agreement" means the agreement between the Bank and the Project Provinces of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(k) "Respective Environmental Management Plan" means: (i) in respect of the Borrower, the portion of the Environmental Management Plan relating to Part A of the Project; (ii) in respect of Hubei, the portion of the Environmental Management Plan relating to its Respective Part of the Project; and (iii) in respect of Hunan, the portion of the Environmental Management Plan relating to its Respective Part of the Project; as the same may be revised from time to time pursuant to Part B.2 of Schedule 5 to this Agreement.

(l) "Respective Part of the Project" means: (i) in respect of the Borrower, Parts A, B(1)(d), D(2) and F(2) of the Project; (ii) in respect of Hubei, the activities to be carried out under Parts B (other than B(1)(d)), C, D (other than D(2)), E and F (other than F(2)) of the Project within its territory; and (iii) in respect of Hunan, the activities to be carried out under Parts B (other than B(1)(d)), C, E and F (other than F(2)) of the Project within its territory.

(m) "Respective Resettlement Action Plan" means (i) in respect of Hubei, the Resettlement Action Plan, acceptable to the Bank, for its Respective Part of the Project; and (ii) in respect of Hunan, the Resettlement Action Plan, acceptable to the Bank, for its Respective Part of the Project; in each case prepared by the Hunan and Hubei Water Conservancy and Hydropower Survey and Design Institute and dated April 2000, as the same may be revised in accordance with the provisions of Part B.2 of Schedule 5 to this Agreement; and "Resettlement Plans" means, collectively, both such plans.

(n) "SDPC" means the Borrower's State Development and Planning Commission, and any successor thereto.

(o) "Special Account" means the account referred to in Section 2.02(b) of this Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to each of the Project Provinces.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to two hundred ten million Dollars (\$210,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars, a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2004 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next

preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end: (i) shall (A) carry out its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and (B) provide, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project; and (ii) without limitation or restriction upon any of its other obligations under the Loan Agreement, shall (A) cause the Project Provinces to perform in accordance with the provisions of the Project Agreement all of their respective obligations therein set forth, (B) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project Provinces to perform such obligations, and (C) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of carrying out each Project Province's Respective Part of the Project, the Borrower shall make available to said Project Province part of the proceeds of the Loan.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall take the actions set forth or referred to in Schedule 5 to this Agreement in order to ensure the proper implementation of the Project and the achievement of the objectives thereof.

Section 3.02. 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 this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) 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 Borrower and the Bank, a plan for the future operation of the Project, which plan shall consolidate the plans furnished to the Borrower by the Project Provinces pursuant to Section 2.03(b) of the Project Agreement; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Bank and the Borrower hereby agree that 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) shall be carried out by each Project Province in respect of its Respective Part of the Project pursuant to Section 2.03(a) of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, 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.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) Any Project Province shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that a Project Province will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01(a) of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by each Project Province, and is legally binding upon said Project Province in accordance with its terms.

Section 6.02. The date 90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Cable address:	Telex:	Facsimile:
FINANMIN 8610-6855-1125	22486 MFPRC CN	

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD 477-6391	248423 (MCI) or 64145 (MCI)	(202)

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.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Hubei's Respective Part of the Project		
(a) Works for Dike Rehabilitation under Parts B and C of the Project	140,600,000	65%
(b) Works for Slope Protection and dike roads under Parts B(1)(f) and B(1)(g) of the Project	18,200,000	65%
(c) Goods expenditures; expenditures and 75% of for other locally	6,000,000	100% of foreign 100% of local (ex-factory cost); local expenditures items procured
(d) Consultants' Services	1,600,000	100%
(e) Training and Study Tours	600,000	100%
(2) Hunan's Respective Part of the Project		
(a) Works for Dike Rehabilitation under Parts B and C of the Project	24,600,000	65%
(b) Works for Slope Protection and dike roads under Parts B(1)(f) and B(1)(g) of the Project	3,000,000	65%
(c) Goods expenditures;	400,000	100% of foreign 100% of local

expenditures		(ex-factory cost);
and 75% of		local expenditures
for other		items procured
locally		
(d) Consultants' Services	800,000	100%
(e) Training and Study Tours	200,000	100%
(3) Borrower's Respective Part of the Project		
(a) Modeling works under Part D(2) of the Project	6,660,000	65%
(b) Goods expenditures;	2,300,000	100% of foreign
expenditures		100% of local
and 75% of		(ex-factory cost);
for other		local expenditures
locally		items procured
(c) Consultants' Services	2,700,000	100%
(d) Training and Study Tours	300,000	100%
(4) Fee Section Agreement	2,100,000	Amount due under 2.04 of this
TOTAL	210,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region for goods or services supplied from said region shall be deemed "foreign expenditures"; and

(b) the term "local expenditures" means any expenditures that are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$4,000,000, may be made on account of payments made for

expenditures before that date but after December 1, 1999.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) expenditures for works under contracts costing less than \$5,000,000 equivalent each; (b) expenditures for goods under contracts costing less than \$250,000 equivalent each; (c) expenditures for consultants' services under contracts awarded to firms costing less than \$100,000 equivalent each; (d) expenditures for consultants' services under contracts awarded to individual consultants costing less than \$50,000 equivalent each; and (e) expenditures for training and study tours, regardless of the cost thereof; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to protect property and life along the middle reaches of the Borrower's Yangtze River against floods by strengthening its dikes and associated structures and protecting its riverbanks against erosion, and by improving the operation and maintenance of such dikes.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Riverbank Protection

Development and carrying out of a program of riverbank protection along approximately 133 kilometers of the Yangtze River in the Project Provinces, consisting of: (1) placement of rockfill, precast concrete blocks, dumped riprap and filter material along the underwater part and toe of the riverbank; and (2) placement of precast concrete slabs and riprap along the above-water part of the riverbank.

Part B: Dike Strengthening and Maintenance

(1) Development and carrying out of a program to rehabilitate about 559 kilometers of Class I and II dikes along the Yangtze River in the Project Provinces, consisting of: (a) raising of the height of the dikes; (b) placement of stone and concrete blocks and planting of trees on the river berms to protect the face of the dikes; (c) treatment of the main body of the dikes by injection of concrete grout or placement of geo-synthetic materials; (d) treatment of dike foundations by placement of impermeable blanket or injection of concrete grout; (e) repair and upgrading of culverts and gates through the dikes; (f) stabilize dike outer (land-side) slopes by planting of grass cover; and (g) paving and upgrading dike road and installation of lighting.

(2) Provision of equipment required for proper maintenance of dikes along the Yangtze River in the Project Provinces, including wheel loaders, bulldozers, excavators, dump trucks, boats, and related equipment.

Part C: Cross-dike Structures

(1) Development and carrying out of a program of works to rehabilitate and protect the foundations of cross-dike structures along the Yangtze River in the Project Provinces such as culverts, sluices, pumping

stations and traffic passes with flood control gates, against seepage, consisting of construction of concrete cutoff walls, jet grouting and placement of cement mixed piles.

(2) Development and carrying out of a program of works to lengthen the cross-dike structures of dikes rehabilitated under Part B of this Schedule.

(3) Installation of snail traps, nets and isolation ponds at cross-dike structures.

Part D: Dike Monitoring System and River Modelling

(1) Establishing in Hubei a computerized data acquisition system of piezometers for monitoring the seepage through the dike and foundations, and monument gauges for deformation and settlement for critical sections of the dike body or foundation.

(2) Carrying out of a program to construct in Hubei's Municipality of Wuhan a physical movable bed-type model of the middle and lower reaches of the Yangtze River so as to enable the Borrower to predict changes in morphology of the river, and water and sediment flows through rivers and various lakes along the river.

Part E: Resettlement; Environmental Management

(1) Carrying out of a resettlement program designed to improve the living standards and production levels of all Affected Persons.

(2) Carrying out of an environmental management plan for the Project designed to ensure that the Project is implemented in an environmentally sound manner.

Part F: Institutional Strengthening

(1) Design and carrying out of a program to strengthen the capabilities of the institutions responsible in the Project Provinces for flood control along the Yangtze River in respect of dike maintenance, design and construction of flood control facilities, and operational and financial management of such facilities.

(2) Design and carrying out of a program to establish a flood prevention center within MWR's Technical Research Center in order to: (a) review flood control standards, regulations, policies and emergency responses systems; (b) research and develop technology and methodology for riverbank protection, foundation seepage control and flood risk analysis; (c) provide training in the design and technical investigation of dikes for provincial design institutes; and (d) institute a technical help desk for solving specific flood control problems in the Project Provinces and river basins.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due Dollars)*	Payment of Principal (expressed in
March 15, 2006	4,185,000
September 15, 2006	4,320,000
March 15, 2007	4,465,000
September 15, 2007	4,615,000
March 15, 2008	4,770,000
September 15, 2008	4,930,000
March 15, 2009	5,090,000
September 15, 2009	5,260,000
March 15, 2010	5,435,000
September 15, 2010	5,615,000
March 15, 2011	5,805,000
September 15, 2011	6,000,000
March 15, 2012	6,195,000
September 15, 2012	6,405,000
March 15, 2013	6,615,000
September 15, 2013	6,835,000
March 15, 2014	7,065,000
September 15, 2014	7,300,000
March 15, 2015	7,545,000
September 15, 2015	7,795,000
March 15, 2016	8,055,000
September 15, 2016	8,320,000
March 15, 2017	8,600,000
September 15, 2017	8,320,000
March 15, 2018	8,600,000
September 15, 2018	8,885,000
March 15, 2019	9,180,000
September 15, 2019	9,490,000
March 15, 2020	9,805,000
September 15, 2020	10,130,000
March 15, 2021	10,465,000
September 15, 2021	10,825,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Sections 4.04 (d) of the General Conditions.

SCHEDULE 4

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, September 1997 and January 1999 (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) 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 (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower and works carried out by contractors from either of said regions).

(b) 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.

(c) 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. Works

(a) National Competitive Bidding

Works estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$253,900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Procurement of Small Works

Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$19,700,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from 3 qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

2. Goods

(a) National Competitive Bidding

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$3,300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of

paragraphs 3.3 and 3.4 of the Guidelines.

(b) National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures 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 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 the following contracts, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply:

(a) the first three contracts for works to be procured by the Borrower under national competitive bidding procedures under Part C.1(a) of this Section I and the first three contracts for works to be procured by each Project Province under national competitive bidding procedures under Part C.1(a) of this Section I;

(b) each contract for works estimated to cost the equivalent of \$5,000,000 or more; and

(c) each contract for goods estimated to cost the equivalent of \$250,000 or more.

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 and January 1999 (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. Quality-based Selection

Services for specialized planning under Part B of the Project, river modeling under Part D(2) of the Project and establishment of the flood prevention center under Part F(2) of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for hydraulic modeling under Part D(2) of the Project which are estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 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 \$100,000 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 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 5

Implementation Program

A. Project Management

1. In order to ensure the proper carrying out of the Project and the continued achievement of its objectives, the Borrower shall at all times during Project implementation maintain:

(a) a central Project steering committee, with representatives of the MWR, SDPC, MOF and the Project Provinces, to be responsible for the oversight of Project implementation; and

(b) a central Project coordination office, with terms of reference and resources acceptable to the Bank, headed by an official of MWR, and assisted by qualified staff in adequate numbers assigned from the MWR, CWRC and each of the Project Provinces, to be responsible for: (i) development and implementation of national standards for design and construction of river dikes and embankments; and (ii) adherence to appropriate quality control assurance measures.

2. The Borrower shall, through MWR, employ not later than October 15, 2000 and thereafter at all times maintain a panel of engineering experts with terms of reference, qualifications and experience acceptable to the Bank, to assist in the review of design and construction programs under the Project, provide technical guidance to the Borrower and Project Provinces on such programs and to monitor, evaluate and report to the Bank on the implementation of such programs.

B. Environment; Resettlement

1. The Borrower shall take all measures necessary to ensure that the Environmental Management Plan is carried out in a manner designed to ensure that the Project is implemented in accordance with sound environmental practices and standards in accordance with guidelines acceptable to the Bank.

2. The Borrower 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 the Environmental Management Plan and Resettlement Action Plans and the achievement of their respective objectives; (b) include the results of such monitoring and evaluation activities in each report to be prepared by it pursuant to Part F(2) of this Schedule, together with any revisions proposed to be introduced into such plans in order to achieve their respective objectives; and (c) take all measures necessary to ensure that such revisions are introduced into such plans as shall have been agreed with the Bank.

C. Annual Implementation Plans

1. The Borrower shall: (a) through CWRC, prepare, in accordance with guidelines acceptable to the Bank, not later than December 1, 2000 and, thereafter, not later than October 1 in each subsequent year, a proposed plan for the implementation of the Borrower's Respective Part of the Project during the following year, said plan to: (i) describe the activities proposed to be carried out under the Project during such period; and (ii) 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 the Project during such period; and (b) consolidate said implementation plan together with the annual implementation plans furnished to it by each Project Province pursuant to Part C.1 of the Schedule to the Project Agreement, and furnish to the Bank not later than December 15, 2000 and, thereafter, not later than October 15 in each subsequent year, commencing October 15, 2001.

2. The Borrower shall afford the Bank a reasonable opportunity to exchange views with the Borrower and the Project Provinces on each such plan, and thereafter, shall promptly take all measures necessary to ensure the proper implementation of such implementation plans, taking into account the views of the Bank on the matter.

D. Operations and Maintenance Plan

1. The Borrower shall consolidate the plans designed to ensure the proper operation and maintenance of all flood protection facilities included under the Project furnished to it by the Project Provinces pursuant to Part D.1 of the Schedule to the Project Agreement, and furnish the same to the Bank not later than December 1, 2002, accompanied by an adequate financing plan therefor.

2. The Borrower shall: (a) afford the Bank a reasonable opportunity to review with the Borrower such operation and maintenance plan, and thereafter; and (b) take all measures necessary to ensure the proper implementation of such plan, taking into account the views of the Bank in the matter.

E. Monitoring and Evaluation

1. The Borrower 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 the Project and the achievement of the objectives thereof.

2. The Borrower shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank the following reports:

(a) semi-annual progress reports, not later than April 15 and October 15 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 the Project during the preceding calendar semester; (ii) consolidate the semi-annual reports furnished to it by the Project Provinces pursuant to Part E.2(a) of the Schedule to the Project Agreement and the reports furnished to it by the panel of engineering experts referred to in Part A.2(a) of this Schedule; (iii) set forth physical and financial progress in Project implementation, both cumulatively, and in respect of such preceding calendar semester; and (iv) set out any additional measures recommended to ensure the efficient carrying out 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 the Project to date; (ii) consolidate the mid-term reports furnished to it by the Project Provinces pursuant to Part E.2(b) of the Schedule to the Project Agreement; and (iii) set out any additional measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

3. After furnishing each such report, the Borrower shall review the same with Bank, and, thereafter, promptly take all measures required to ensure the efficient completion 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.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$18,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$9,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$85,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits

into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account

(or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

