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**LOAN NUMBER 4840-CHA**

# **Project Agreement**

**(Fujian Highway Sector Investment Project)**

**between**

**INTERNATIONAL BANK**

**FOR**

**RECONSTRUCTION AND DEVELOPMENT**

**and**

**FUJIAN PROVINCE**

**Dated August 30, 2007**

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## **PROJECT AGREEMENT**

Agreement dated August 30, 2007 entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and FUJIAN PROVINCE (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement of same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank (“Loan Agreement”). The Bank and the Project Implementing Agency hereby agree as follows:

### **ARTICLE I—GENERAL CONDITIONS; DEFINITIONS**

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

### **ARTICLE II—PROJECT**

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:

- (a) carry out the Project in accordance with the provisions of Article V of the General Conditions; and
- (b) provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III—REPRESENTATIVE; ADDRESSES**

3.01. The Project Implementing Entity’s Representative is the Governor or Vice Governor of Fujian or such other person or persons as such the Governor or Vice Governor of Fujian designate in writing, and Fujian shall furnish to the Bank

sufficient evidence of the authority and the authenticated specimen signature of each such person.

3.02. The Bank's Address is:

For the Bank:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

19<sup>th</sup> Floor, Fujian Communications Administration Building  
18# Dongshui Road  
Fuzhou, Fujian  
China

Facsimile: 86-591-87077377

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ David Dollar

Authorized Representative

FUJIAN PROVINCE

By /s/ Chen Yun

Authorized Representative

## **SCHEDULE**

### **Execution of the Project**

#### **Section I. Institutional and Other Arrangements**

##### Project Management

1. The Project Implementing Entity shall maintain throughout the period of implementation of the Project, within the Office of the Director of the FPCD, the DOFWBP responsible for the overall coordination and implementation of the Project, including activities related to environment, resettlement, finance, and administration, headed by a qualified and experienced manager who shall be the director of the WBPMO, and assigned with such powers, funds and staffing in adequate numbers including a Deputy Director, a Resettlement Specialist, an Environmental Specialist, a Procurement expert and an accountant all with qualifications and experience and terms of reference satisfactory to the Bank and as shall be required to enable the WBPMO to achieve its purposes in a manner and substance satisfactory to the Bank.

##### Social, Environment and Cultural Relics Protection

2. The Project Implementing Entity shall, in the carrying out of Parts A and B of the Project, implement the Resettlement Policy Framework including the resettlement action plans prepared pursuant to the provisions of the RPF, the Minority Nationalities Development Framework, the Resettlement Action Plan, and the EMPs, respectively, all in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity shall:

(a) take all necessary actions to minimize to the extent possible the acquisition of land or assets of people, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out the Project or any Part thereof;

(b) where the acquisition of land or assets or the displacement of people is unavoidable make available to such people compensation in accordance with the Resettlement Action Plan and the Resettlement Policy Framework and before the carrying out of the works which would result in such acquisition or displacement, all in a manner satisfactory to the Bank;

(c) (i) prepare resettlement plans in accordance with the Resettlement Policy Framework and furnish such plans to the Bank for approval; (ii) implement such resettlement plans as so approved; and (iii) prior to the carrying out of the said activity, ensure that all Displaced Persons shall have been compensated in accordance with the provisions of said plan;

(d) in carrying out the activities under Part A of the Project in areas where Minority Nationalities reside or use for their livelihood, prepare through a process of informed consultation with and participation of concerned Minority Nationalities, and thereafter furnish to the Bank for its approval, a Minority Nationalities Development Plan, aimed at avoiding cultural, social and economic adverse effects on Minority Nationalities caused or likely to be caused by the Project so as to ensure that the benefits received by the Minority Nationalities under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights, which plan to be prepared in accordance with the provisions of the Minority Nationalities Development Framework, and thereafter apply the Minority Nationalities Development Plan(s) as so approved;

(e) in carrying out the Project or any part thereof, apply the EMPs in a manner satisfactory to the Bank; and

(f) in the event that cultural relics as the term is defined under the relevant legislation of the Borrower are found during the carrying out of the Project or any part thereof, the Borrower shall immediately cease all civil works and related activities in such area and prepare and furnish to the Bank for its approval a plan for the preservation of such cultural relics, and thereafter carry out such plan as so approved by the Bank.

3. The Project Implementing Entity shall not amend, suspend, or waive the Resettlement Action Plan, the Resettlement Policy Framework, the resettlement action plans referred to in paragraph 2(c) of this Section, the Minorities Nationalities Policy Framework, and the EMPs or any provision thereof, without the prior concurrence of the Bank.

#### Project Implementation

4. For purposes of carrying out Part A of the Project, the Project Implementing Entity shall:

(a) maintain and apply the RRIP Framework, satisfactory to the Bank, which framework shall include: (i) the criteria for selection of Local Roads Sections under the RRIP; (ii) the RPF; (iii) the EMP; (iv) the MNDF; (v) monitoring arrangements; (vi) the Financial Management Manual, including financial management reports; and (viii) the relevant provisions of the Procurement Guidelines, sample bidding model documents to be used for Shopping Works Contracts, and the provisions of Section III of Schedule 2 to the Loan Agreement;

(b) select from the proposals made by counties, townships or villages within Fujian Province, and in accordance with the criteria set forth in the RRIP Framework, the Local Roads Sections to be to be rehabilitated under Part A of the Project;

(c) upon completion of the rehabilitation works of a selected Local Road Section and its certification by the FPCD, satisfactory to the Bank, reimburse to the respective county, township or village, as the case may be, an amount calculated by multiplying the applicable Unit Cost per kilometers rehabilitated. The reimbursement shall in no case exceed the actual cost of rehabilitation works; and

(d) not amend, waive, suspend, abrogate or cancel the RRIP Framework, or any provision thereof, without the prior concurrence of the Bank.

5. In the carrying out of Part A of the Project, the Project Implementing Entity shall, through FPCD, disclose and disseminate among the counties and townships in Fujian Province, in a proactive manner, the provisions of the RRIF and provide training on the provisions and implementation of the RRIF to the relevant staff of the counties, villages and townships.

6. For purposes of carrying out Part D of the Project, the Project Implementing Entity shall:

(a) on or before April 1, 2007, furnish to the Bank for its approval the training program for May through December 2007, and thereafter on September 30 of each year commencing on September 30, 2007, furnish to the Bank for its approval the updated annual training program for the forthcoming calendar year and thereafter implement each such training program as so approved; and

(b) on or before June 30, 2007, furnish to the Bank for its approval the terms of reference for the carrying of the studies under such Part of the Project,

and thereafter carryout such studies in accordance with the terms of reference so approved.

**Section II. Project Monitoring, Reporting, Evaluation.**

**A. Project Reports.**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth in the annex to this Schedule. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later four weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

**B. Financial Management, Financial Reports; Audits.**

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall adopt and thereafter apply in the implementation of the Project the Financial Management Manuals, including financial management reports, satisfactory to the Bank. The Project Implementing Entity shall not amend, waive, suspend, abrogate or cancel the Financial Management Manuals or any provision therein without the prior approval by the Bank.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. The audit of the Financial Statements shall include verification of compliance by FPCD with the procedures for the certification referred to in paragraph B.1.(b) of Section IV, Schedule 2 of the Loan Agreement. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six months after the end of the period.

**Section III. Procurement**

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.

**ANNEX**  
**Performance Indicators**

The performance indicators referred to above in paragraph A.1, Section II of this Schedule consist of the following:

<b>PDO</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
To increase the effective use of the road infrastructure in Fujian Province to support its social and economic development	Reduction of freight rates on Yong'an-Wuping Corridor  Reduction of travel times on rural roads	Assess impact of improved expressway and rural infrastructure on users' behaviors and the effective transfer of benefits to road users
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
(a) Transport flows on rural roads improved: rehabilitation of about 3,500 kms of rural roads under the Project Implementing Entity's Rural Roads Improvement Program (RRIP)	Traffic volumes on rural roads increased  Supply of bus passenger services enhanced  Pace of loan disbursements under RRIP component accelerated	Assess level of use of upgraded infrastructure, including increased provision of passenger services, and reduction in travel access to social services and economic activities  Verify and evaluate applicability of framework for the RRIP that will lead to the self-selection of roads eligible for World Bank financing and enhanced capacity at the local level
(b) Transport conditions enhanced on the corridor between Yong'an and Wuping (border with Guangdong Province): construction of the 195-km Yong'an-Wuping Expressway (YWE)	Traffic volumes on YWE and G205 increased  Average travel times on YWE and G205 decreased at the opening of the YWE  Accident rates on corridor (YWE and G205) reduced at	Assess level of use of upgraded road conditions on the Yong'an-Wuping corridor, in a faster and safe manner.

	the opening of the YWE	
(c) Alternative maintenance mechanisms tested and applied to provincial road network: two pilot initiatives of maintenance by contract in two segments of the provincial road network.	Contract maintenance approaches in Fujian Province applied	Verify applicability of alternative maintenance mechanisms for road maintenance, through the contracting out maintenance activities
(d) Road management capacities at FPCD strengthened: institutional strengthening component	Enhanced knowledge and application of updated road management approaches including: (a) toll rate setting; and (b) measurement of impacts.  Effective completion of training programs.	Continued knowledge acquisition of updated approaches on road management topics, building on previous institutional development actions, towards ensuring enhanced technical and management capacity at FPCD.