

CONFORMED COPY

LOAN NUMBER 4329 CHA

Project Agreement

(Guangzhou City Center Transport Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

GUANGZHOU MUNICIPALITY

Dated June 26, 1998

LOAN NUMBER 4329 CHA

PROJECT AGREEMENT

AGREEMENT, dated June 26, 1998, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and GUANGZHOU MUNICIPALITY (Guangzhou).

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 two hundred million dollars (\$200,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Guangzhou agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS Guangzhou, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. Guangzhou 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, economic, financial, engineering 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 the Project.

Section 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement and except as the Bank and Guangzhou shall otherwise agree, Guangzhou shall carry out the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.03. 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 2.04. (a) Guangzhou 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 this Agreement and the Project.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, Guangzhou 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 Guangzhou, a plan designed to ensure the continued achievement of the objectives of the Project; and

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

Section 2.05. (a) Guangzhou 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) Guangzhou 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 the Loan, or the performance by Guangzhou of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Guangzhou 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 Guangzhou responsible for carrying out the Project or any part thereof.

(b) Guangzhou 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 Guangzhou
thereunder shall terminate on the date on which the Loan Agreement shall terminate in
accordance with its terms, and the Bank shall promptly notify Guangzhou 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 Guangzhou:

Guangzhou City Center
Transport Project Office
5th Floor
29 Fuqian Road
Guangzhou 510032
People's Republic of China

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 Guangzhou may
be taken or executed by the Mayor or such other person or persons as said Mayor shall
designate in writing, and Guangzhou 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

GUANGZHOU MUNICIPALITY

By /s/ Liu Xiaoming

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 for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, (i) contracts for works shall be grouped in bid packages estimated to cost \$10,000,000 equivalent or more each; (ii) contracts for supply and installation of equipment under Part A of the Project shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each; and (iii) contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

(c) 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.

(d) 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.

(e) 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

The following may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines: (a) works estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$45,800,000 equivalent, and (b) goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$4,000,000 equivalent.

2. International Shopping

Software packages under Parts B, D and F, and buses under Part C.2 (c) of the Project, estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international 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 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: (a) works estimated to cost the equivalent of \$2,000,000 or more, and (b) goods estimated to cost the equivalent of \$250,000 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 Procedure for the Selection of Consultants

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 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 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. Project Management

1. Guangzhou shall maintain the Project Leading Group with functions and responsibilities acceptable to the Bank, chaired by a vice-mayor and including representatives from the municipal agencies responsible for transport planning, transport design, construction and maintenance, public transport, and traffic management, control and safety, to coordinate the implementation of the Project.

2. Guangzhou shall maintain the Project Office, with functions and responsibilities acceptable to the Bank, managed and staffed with personnel in adequate number and with qualifications and experience satisfactory to the Bank, to manage the implementation of the Project on behalf of the Project Leading Group.

B. Environment, Land Acquisition and Resettlement

1. Guangzhou:

(a) declares its commitment to the preservation of the environment and, to this end, undertakes to carry out, and to cause to be carried out, the EAPs in a manner satisfactory to the Bank;

(b) shall furnish any proposed revision to the EAPs to the Bank for its prior approval; and

(c) shall maintain policies and procedures to enable it to monitor and evaluate on an ongoing basis the carrying out of the EAPs.

2. Guangzhou shall prepare, under terms of reference acceptable to the Bank, and furnish to the Bank by June 30 of each year, commencing in 1999, an annual environmental report during the construction phase under Part A of the Project, and for each of the first three (3) years following completion of construction.

3. In respect of Parts A and C.1 of the Project, Guangzhou shall:

(a) implement the RAP in a manner satisfactory to the Bank;

(b) no later than six months prior to commencing construction on each of phases II and III of the Inner Ring Road, complete and furnish to the Bank an update of the census and socio-economic survey satisfactory to the Bank for the areas related to such phases respectively;

(c) furnish any proposed revision to the RAP to the Bank for its prior approval; and

(d) maintain policies and procedures adequate to enable it to monitor and evaluate, on an ongoing basis, the carrying out of the RAP, including engaging an independent agency acceptable to the Bank to monitor the implementation and impact of said RAP.

C. Project Implementation

1. Guangzhou shall:

(a) furnish to the Bank for its prior approval, by October 31 of each year commencing in 1998, an annual work plan for the implementation of the Project during the following calendar year, said work plan to include, inter alia, the scope and schedule of activities under Parts A, B, C, D, E and F of the Project, the financing plan and detailed budget arrangements; and

(b) thereafter, implement said work plan in a manner satisfactory to the Bank.

2. (a) In respect of Part B.1 of the Project, Guangzhou shall carry out a program of traffic management satisfactory to the Bank.

(b) To that end, by no later than December 31, 1999 Guangzhou shall complete the first phase of traffic management improvements, in a manner satisfactory to the Bank, including: (i) establishment of bus priority facilities comprising bus lanes; (ii) establishment of bicycle routes; and (iii) channelization improvements at major road intersections.

3. In respect of Part B.1 (d) of the Project, Guangzhou shall:

(a) by March 31, 2000 complete a study on parking management in accordance with terms of reference acceptable to the Bank, and furnish such study to the Bank for its review and comments; and

(b) thereafter, develop a time-bound action plan satisfactory to the Bank to implement the recommendations of such study taking into consideration the Bank's

comments thereon.

4. Guangzhou shall:

(a) by March 31, 2000 prepare and furnish to the Bank for its comments a policy on traffic demand management; and

(b) thereafter, establish said traffic demand management policy and take appropriate steps to implement such policy, taking into considerations the Bank's comments thereon.

5. Guangzhou shall carry out the training under Parts A, B, C, D, E and F.1 of the Project in accordance with a training program acceptable to the Bank.

6. Guangzhou shall: (a) carry out the studies under Part F.2 of the Project in accordance with terms of reference and a time table satisfactory to the Bank; (b) furnish to the Bank for its review and comments the interim reports and the results and recommendations of such studies; and (c) thereafter, take appropriate steps to implement the recommendations from such studies taking into consideration the Bank's comments thereon.

D. Monitoring and Reporting

1. Guangzhou shall 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 the Project and the achievement of the objectives thereof.

2. Guangzhou shall:

(a) 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 January 31, 1999; (ii) an annual report by July 31 of each year starting in 1999; and (iii) on or about January 31, 2001, a mid-term report, in each case integrating the results of the monitoring and evaluation activities performed pursuant to paragraph D (1) above, on the progress achieved in the carrying out 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 the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the Bank on such dates as the Bank shall request, the reports referred to in sub-paragraph (a) of this paragraph D (2), and, thereafter, 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 reports and the Bank's views on the matter.

