

CONFORMED COPY

LOAN NUMBER 4541 CHA

Project Agreement

(Guangxi Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

GUANGXI ZHUANG AUTONOMOUS REGION

Dated October 10, 2000

LOAN NUMBER 4541 CHA

PROJECT AGREEMENT

AGREEMENT, dated October 10, 2000, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and GUANGXI ZHUANG AUTONOMOUS REGION (Guangxi).

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 Guangxi agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Guangxi, 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, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Guangxi 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, engineering and environmental 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 Guangxi shall otherwise agree, Guangxi 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 Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Guangxi shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and the Project.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, Guangxi 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 Guangxi, a plan for the future operation of the Project; and

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

Section 2.04. (a) Guangxi 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) Guangxi 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 Guangxi of its obligations under this Agreement.

ARTICLE III

Financial Covenants

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

(b) Guangxi shall:

(i) have the records and accounts referred to 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 (6) 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, accounts as well as 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 Guangxi thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Guangxi 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. 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:	Telex:	Facsimile:
477-6391	INTBAFRAD	248423 (MCI) or (202)
	Washington, D.C	64145 (MCI)

For Guangxi:

c/o Guangxi Communications Department
67 Xinmin Road
Nanning
Guangxi
People's Republic of China 530012

Facsimile:
(0771)

280-5550

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 Guangxi may be taken or executed by the Governor or any Vice Governor of Guangxi or such other person or persons as such Governor or Vice Governor shall designate in writing, and Guangxi 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 Beijing, People's Republic of China as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang
Authorized Representative

GUANGXI ZHUANG AUTONOMOUS REGION

By /s/ Huang Huaiwen
Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Good 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) Prequalification

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

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(c) Dispute Review Board

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

(d) Notification and Advertising

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$76,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Limited International Bidding

Specific testing equipment for quality control and surveying instruments estimated to cost up to an aggregate amount not to exceed \$1,100,000 equivalent, may be procured under contracts awarded in

accordance with the provisions of paragraph 3.2 of the Guidelines.

3. International Shopping

Office equipment, road maintenance equipment, laboratory equipment and equipment for environmental research and protection purposes 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 or invitations to bid, 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 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. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, 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.

2. 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 \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

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

3. Post Review

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

SCHEDULE 2

Implementation Program

A. Environment. Land Acquisition and Resettlement

1. Guangxi shall:

(a) carry out the EAPs and RAP in a manner satisfactory to the Bank;

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

(c) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the EAPs and RAP; and

(d) prepare, under terms of reference acceptable to the Bank, and furnish to the Bank: (i) by March 31 of each year, starting in 2001 through 2006, an annual environmental monitoring report; (ii) by March 31 and September 30 of each year, starting March 31, 2001 until two years after completion of the Project, an internal resettlement report prepared by agencies of Guangxi responsible for resettlement activities on the implementation and results of such activities during the preceding six-month period; and (iii) by June 30 and December 31 of each year, starting June 30, 2001 until two years after completion of the Project, an external resettlement report prepared by an independent entity acceptable to the Bank, on the implementation and results of the resettlement activities during the same six-month period referred to in clause (ii) of this sub-paragraph (d).

B. Implementation of the Project

1. During the implementation of Part A of the Project, Guangxi shall prepare, under terms of reference acceptable to the Bank, and provide to the Bank a monthly progress report on the civil works for the Hechi (Shuiren)-Nanning Highway.

2. Guangxi shall, by June 30, 2004, complete under terms of reference acceptable to the Bank and furnish to the Bank for its review and comments, an analysis of and recommendations on the structure of toll-rates on the Hechi (Shuiren)-Nanning Highway, taking into consideration the results of studies on toll-rate structures under other Bank-financed highway projects in China, experience with toll rates on major roads in China, and the results of a survey of user responses to tolls to be conducted by Guangxi.

3. By December 31, 2005, Guangxi shall complete the black spot improvement program under Part C of the Project, in accordance with guidelines acceptable to the Bank.

4. Guangxi shall: (a) carry out the training under Part D.1 of the Project in accordance with a training program acceptable to the Bank; and to that end (b) by November 30 of each year, commencing in 2000, prepare under terms of reference acceptable to the Bank and furnish to the Bank for its prior approval an annual training program.

C. Monitoring and Reporting

1. Guangxi 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. Guangxi shall prepare, under terms of reference satisfactory to the

Bank, and furnish to the Bank, the following reports:

(a) quarterly reports by February 15, May 15, August 15, and November 15 of each calendar year starting May 15, 2001, said reports to set out physical and financial progress in the implementation of the Project, both cumulatively, and in respect of said preceding calendar quarter; and

(b) an annual report by March 31 of each year, commencing in 2001 through 2006, which: (i) integrates the results of the monitoring and evaluation activities performed pursuant to paragraph 1. of this Section C, on the progress achieved in the carrying out of the Project during the preceding year; and (ii) sets out any measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the immediately succeeding year.

3. After furnishing to the Bank each report referred to in paragraph 2. above, Guangxi shall 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.

