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**LOAN NUMBER 4830-CHA**

# **Loan Agreement**

**(Third Jiangxi Highway Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated November 23, 2006**

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## **LOAN AGREEMENT**

Agreement dated November 23, 2006, between PEOPLE'S REPUBLIC OF CHINA (the "Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank"). The Borrower and the Bank hereby agree as follows:

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

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II – LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred million Dollars (\$200,000,000) to assist in financing the project described in Schedule 1 to this Agreement (the "Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ( $3/4$  of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. 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 such fee.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread,

subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.

- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE III – PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV – EFFECTIVENESS**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

### **ARTICLE V – REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is the Minister of Finance.
- 5.02. The Borrower's Address is:

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

Facsimile:

(86-10) 6855-1125

5.03. The Bank's Address is:

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

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

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

PEOPLE'S REPUBLIC OF CHINA

By: /s/ Mr. Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Mr. David Dollar

Authorized Representative

## **SCHEDULE 1**

### **Description of the Project**

The objective of the Project is to assist the Borrower in improving east-west passenger and freight flows in Jiangxi province by investing in the construction of an expressway, enhancing local roads, and strengthening highway management.

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 said objective:

#### **Part A: Ruijin-Ganzhou Expressway**

Construction of the Ruijin-Ganzhou Expressway in the southern part of Jiangxi province, including: (a) construction of about 117 kilometers of a divided, two by two lanes, access-controlled expressway between the cities of Ganzhou and Ruijin, including bridges and tunnels; (b) supply and installation of electrical, electronic, and mechanical equipment for toll collection, traffic monitoring, lighting, and emergency telecommunications facilities; and (c) construction of related toll stations, interchanges, service areas, and facilities for highway administration and maintenance on said expressway.

#### **Part B: Local Roads Improvement Program**

Development and implementation of a Jiangxi province Local Roads Improvement Program to improve access in selected poor areas of Jiangxi province, including: (a) rehabilitation and upgrading of the Chuengyi-Fengzhou road (about 48.5 km) and Meicun-Longbu road (about 34.8 km); and (b) rehabilitation and upgrading of additional selected road sections.

#### **Part C: Institutional Strengthening**

Carrying out of a program to strengthen the capacity and efficiency in highway management of the Jiangxi Province Communications Department, including, staff training, carrying of selected studies, provision of equipment and technical assistance.

## SCHEDULE 2

### Project Execution

#### Section I. Financing Arrangement; Institutional and Other Arrangements

##### A. Financing Arrangement.

1. The Borrower shall make available the proceeds of the Loan to the Project Implementing Entity, under terms and conditions satisfactory to the Bank, and the following principal terms:

- (i) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
- (ii) The following shall be recovered over a period of twenty (20) years, inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) an amount equal to the fee paid pursuant to Section 2.04 of this Agreement.
- (iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement.
- (iv) The Borrower shall charge Project Implementing Entity: (A) a commitment fee on the principal amount of the Loan so made available and not withdrawn from time to time at a rate equal to three fourths of one percent ( $3/4$  of 1%) per annum; and (B) an additional fee in an amount equal to the amount payable by the Borrower pursuant to Section 2.04 of the Agreement.

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

### **A. Project Reports.**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Annex to this Schedule. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than six weeks after the end of the period covered by such report.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months after the Closing Date.

### **B. Financial Management, Financial Reports and Audits.**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

## **Section III. Procurement**

### **A. General.**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

**3. Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works.**

**1. International and National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding and National Competitive Bidding procedures subject to the following additional procedures:

(a) The procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No. 21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Guidelines:

- (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except for civil works contracts that are estimated to cost less than \$2,000,000 equivalent each and for goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.
- (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.
- (iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and



there shall be no limit on the number of pre-qualified bidders.

- (iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or Project Implementing Entity, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (vi) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- (viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or Project Implementing Entity, as the case may be.
- (ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

- (x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.
- (xi) Government owned enterprises in the Borrower's country may be permitted to bid or submit a proposal of goods and works if they can establish that they: (i) are legally and financially autonomous; (ii) operate under commercial law; and (iii) are not a dependent agency of the agency conducting the procurement.
- (xii) Re-bidding should not be allowed solely because the number of bids is less than three (3).

**2. Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Shopping

**C. Particular Methods of Procurement of Consultants' Services**

**1. Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

**2. Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Selection based on Consultant's Qualifications
(c) Individual Consultant

**D. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) all contracts for goods and civil works procured through International Competitive Bidding regardless of the contract value; (b) each contract for civil works estimated to cost the equivalent of \$4,000,000 or more; (c) the first contract for goods procured through National Competitive Bidding regardless of the contract value; (d) the first contract for goods procured through Shopping regardless of the contract value; and (e) each contract for consultants' services estimated to cost the equivalent of \$200,000 or more for firms, and \$50,000 or more for individuals. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General.**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category, inclusive of taxes in respect of eligible expenditures under Categories (2) and (3):

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Civil Works		
(a) under Part A.(a) of the Project	182,400,000	48%
(b) under Part B of the Project	10,000,000	25%
(2) Goods	5,700,000	100%
(3) Consultants' services, training and studies	1,400,000	100%
(4) Front-end fee	500,000	100% amount due under Section 2.04 of this Agreement
<b>TOTAL</b>	<u>200,000,000</u>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$5,000,000 equivalent may be made for payments made prior to this date but on or after March 1, 2006, for Eligible Expenditures under Category (1).

2. The Closing Date is December 31, 2010.

**ANNEX**

**Performance Indicators**

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

<b>PROJECT DEVELOPMENT OBJECTIVE</b>	<b>OUTCOME INDICATORS</b>	<b>USE OF RESULTS INFORMATION</b>
<p>Improving east-west passenger and freight flows in Jiangxi province by investing in the construction of an expressway, enhancing local roads, and strengthening highway management.</p> <p>A. Supporting trade led growth in Jiangxi province through improved highway access to prosperous eastern region and export outlets</p> <p>B. Reducing poverty by improving access to markets and services for poorer areas of Ganzhou City Prefecture</p>	<p>A. In the Ganzhou-Ruijin Corridor: A.1 Increased average daily traffic A.2 Decreased accidents on the existing road G323 A.3 Decreased travel time</p> <p>B. On the road sections of the Local Roads Improvement Program: B.1 Increased average daily traffic B.2 Reduced number of days closed B.3 Reduced travel time B.4 Increased daily bus service</p>	<p>A. The development plans of the local governments are integrated with the national and provincial transportation links and the highway access to Xiamen in Fujian</p> <p>B. The selection of the local road sections maximizes the benefits for the low income population in the Ganzhou City Prefecture</p>

C. Improving highway sector management in Jiangxi province	C. Implementation of key recommendations from the institutional strengthening components	C. The policy-related studies, training and technical assistance are relevant and have an overall positive impact
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<b>INTERMEDIATE RESULTS</b>	<b>RESULTS INDICATORS</b>	<b>USE OF OUTCOME MONITORING</b>
<p>A. Approximately 117 km of the Ruijin-Ganzhou Expressway (RGE)</p> <p>B. Local roads in the direct areas, area of influence of the project in Ganzhou City Prefecture</p> <p>C. Staff of the JPCD and related agencies with improved technical and management capacity in the road sector.</p>	<p>A. Completion of 117 km of the Ruijin-Ganzhou Expressway</p> <p>B. Successful improvement of local roads in the Ganzhou City Prefecture: Phase I = 83.3 km &amp; Phase II to be determined</p> <p>C. Successful completion of the institutional strengthening studies and staff trained</p>	<p>Monitoring of implementation progress and action plan to address possible delays</p>

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal</u>
March 15, 2012	4,475,000
September 15, 2012	4,595,000
March 15, 2013	4,715,000
September 15, 2013	4,835,000
March 15, 2014	4,960,000
September 15, 2014	5,090,000
March 15, 2015	5,225,000
September 15, 2015	5,360,000
March 15, 2016	5,500,000
September 15, 2016	5,645,000
March 15, 2017	5,790,000
September 15, 2017	5,945,000
March 15, 2018	6,100,000
September 15, 2018	6,255,000
March 15, 2019	6,420,000
September 15, 2019	6,590,000
March 15, 2020	6,760,000
September 15, 2020	6,935,000
March 15, 2021	7,115,000
September 15, 2021	7,305,000
March 15, 2022	7,495,000
September 15, 2022	7,690,000
March 15, 2023	7,890,000
September 15, 2023	8,095,000
March 15, 2024	8,305,000
September 15, 2024	8,525,000
March 15, 2025	8,745,000
September 15, 2025	8,975,000
March 15, 2026	9,210,000
September 15, 2026	9,455,000

## APPENDIX

### Section I. Definitions

1. “BOT Expressway from Ailing to Ruijin” and the acronym “ARE” mean the expressway commissioned to be built by Jiangxi under a “Built, Operate and Transfer” contract entered into between JPCD and Equity Realty Development Corporation Limited of Hong Kong, dated September 9, 2005.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
5. “Displaced Person” means a person who, on account of the execution of Parts A and B of the Project and the BOT Expressway from Ailing to Ruijin, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means collectively, all such Displaced Persons.
6. “EMPs” means, collectively: (i) the environmental management plan dated January 2006, and duly adopted by the JPCD setting forth, inter alia, in respect of the Ruijing-Ganzhou Expressway and the connecting roads under Part A of the Project, as well as in respect of the BOT Expressway from Ailing to Ruijin; and (ii) the environmental management plans to be prepared and adopted by the JPCD in respect of the local road sections under Part B of the Project in accordance with the provisions of paragraph 6, Section I of the Schedule to the Project Agreement, the assessment of environmental impacts of the Project, recommendations for



mitigation adverse impacts and enhancement of positive impacts based on such assessment, guidelines for environmental screening and monitoring of Project implementation and construction of the BOT Expressway from Ailing to Ruijin, as well as administrative arrangements to ensure the implementation of said plans, as the same may be revised from time to time with the agreement of the Bank; and “EMP” means any of the EMPs.

7. “Financial Management Manual” means the manual adopted by the JPCD in March 2006, as revised on May 17, 2006 and referred to in paragraph B.2, Section II of the Schedule to the Project Agreement.
8. “JPCD” means the Jiangxi Provincial Communications Department of Jiangxi province, and any successor thereto.
9. “Local road section” means a road section selected for financing under Part B of the Project pursuant to paragraph 5, Section I of the Schedule to the Project Agreement.
10. “PMO” means the Jiangxi province World Bank Loan Project Office established under the Jiangxi Provincial Communications Department on August 3, 2005 to coordinate the Project preparation and supervise and monitor its implementation and referred to in paragraph 1, Section I of the Schedule to the Project Agreement, and any successor thereto.
11. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
12. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. “Project Agreement” means the agreement between the Bank and the Project Implementing Entity 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.
14. “Project Implementing Entity” means Jiangxi province and any successor thereto.

15. “RAP” means, the resettlement action plan dated January 2006, with respect to Parts A and B of the Project and the BOT Expressway from Ailing to Ruijin, duly adopted by Project Implementing Entity, which set out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of such Parts of the Project and the BOT Expressway from Ailing to Ruijin, as well as reporting and monitoring arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank; and such term includes all attachments and annexes supplemental to said plans.
16. “RAPs” means collectively the RAP and the resettlement action plans to be prepared and adopted by Jaingxi pursuant to the RFP and the provisions of paragraph 2, Section I of the Schedule to the Project Agreement.
17. “Resettlement Policy Framework” and “RPF” mean the resettlement policy framework dated January 2006, with respect to Part B of the Project adopted by the Project Implementing Entity, that sets forth the resettlement principles, organizational arrangements, and design criteria in accordance with which a resettlement action plan is prepared and submitted to the Bank for approval in accordance with the provisions of paragraph 2, Section I of the Schedule to the Project Agreement.