

CONFORMED COPY

LOAN NUMBER 4124 CHA

Project Agreement

(Second National Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

GUANGDONG PROVINCE

and

HUNAN PROVINCE

Dated August 29, 1997

LOAN NUMBER 4124 CHA

PROJECT AGREEMENT

AGREEMENT, dated August 29, 1997, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and GUANGDONG PROVINCE (Guangdong) and HUNAN PROVINCE (Hunan) (Guangdong and Hunan hereinafter collectively referred to as the Project Provinces, and individually as a Project Province).

WHEREAS 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 four hundred million dollars (\$400,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Project Provinces agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS the Project Provinces, in consideration of the Bank's entering into the Loan Agreement with the Borrower, have 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. (a) Each Project Province 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 its Respective Part of 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 the concerned Project Province shall otherwise agree, each Project Province shall carry out its Respective Part of 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) Each Project Province 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.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, each Project Province 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 said Project Province, a plan for the future operation of its Respective Part of the Project; and

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

Section 2.04. (a) Each Project Province shall, at the request of the Bank, exchange views with the Bank with regard to progress on its Respective Part of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) Each Project Province shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of the Loan, or the performance by said Project Province of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Each Project Province 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 its Respective Part of the Project of the departments or agencies of said Project Province responsible for carrying out said Part of the Project.

(b) Each Project Province 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 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 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 each Project Province thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify each Project Province 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, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI), or
64145 (MCI)

For Guangdong Province:

Guangdong People's Government
305 Dongfeng Road (c)
Guangzhou 510031
Guangdong Province
People's Republic of China

Telex:

44437 GDSIC CN

For Hunan Province:

HPCD Foreign Capital Promotion Project Office
466 Bayi Road
Changsha, Hunan 410011
People's Republic of China

Cable:

0024

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 a Project Province may be taken or executed by the Governor or Vice Governor of said Project Province or such other person or persons as said Governor or Vice Governor shall designate in writing, and said Project Province 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/ Yukon Huang

Acting Regional Vice President
East Asia and Pacific

GUANGDONG PROVINCE

By /s/ Zhou Wenzhong

Authorized Representative

HUNAN PROVINCE

By /s/ Zhou Wenzhong

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

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 (the Guidelines) and the following provisions of this Section, as applicable.

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 all contracts for works shall be prequalified in accordance with the provisions of paragraphs 2.09 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. Limited International Bidding

Goods which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the estimated cost thereof, may be procured for up to an aggregate amount not to exceed \$2,000,000 for each of Parts A and B of the Project, under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping Procedures

Goods estimated to cost less than \$250,000 equivalent per contract, up to an amount not to exceed \$3,000,000 equivalent for each of Parts A and B of the Project, 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.

3. National Competitive Bidding

Works for Parts A(1) and B(1) of the Project estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed: (i) in the case of Guangdong, \$24,600,000 equivalent; and (ii) in the case of Hunan, \$57,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 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 \$2,000,000 equivalent or more; and
- (b) goods estimated to cost \$250,000 equivalent 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 D, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to:

- (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or
- (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each.

However, said exceptions to prior Bank review shall not apply to: (i) the terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

A. Environment, Land Acquisition and Resettlement

1. In respect of Parts A (1) and B (1) of the Project, each Project Province shall:

(a) implement its Respective EAPs and its Respective RAP in a manner satisfactory to the Bank; and

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

2. Each Project Province shall:

(a) 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 implementation of its Respective EAPs and its Respective RAP; and

(b) prepare, under terms of reference acceptable to the Bank, and furnish to the Bank:

(i) an annual environmental monitoring report during the construction phase under Part A(1) of the Project in respect of Guangdong, and under Part B (1) of the Project in respect of Hunan, and for each of the first three (3) years following completion of construction; and

(ii) by December 31 of each year, commencing in 1996, internal monitoring reports prepared by appropriate agencies of said Project Province, and external monitoring reports prepared by an independent agency acceptable to the Bank regarding the implementation and impact of resettlement activities in said Project Province during the previous twelve (12) months.

B. Construction Supervision

Each Project Province shall employ and maintain during the implementation of Parts A (1) and B (1) of the Project, construction supervision teams with qualified staff in adequate numbers to ensure that all works are carried out in accordance with technical specifications and that strict quality controls are exercised on all sites.

C. Part A (2) of the Project: Institutional Strengthening and Training in Guangdong

1. Guangdong shall: (a) carry out the training under Part A (2) (b) of the Project in accordance with a training program acceptable to the Bank; and (b) to that end, furnish to the Bank for its prior approval, by June 30 of each year commencing in 1997, a rolling two-year training implementation schedule.

2. Guangdong shall, by December 31, 2000, furnish to the Bank for its review and comments, an analysis and recommendations for the structure of toll-rates on the Xiaotang-Gantang Expressway, taking into consideration the results of studies on toll-rate structures under Bank-financed highway projects in China and the recent experience with toll-rates in Guangdong, Hunan and other provinces.

3. Guangdong shall: (a) by June 30, 1997, establish a Leading Group with representation acceptable to the Bank to guide the study on transport and economic integration in the Changsha, Guangzhou, Hong Kong corridor under Part A (2) (a) of the Project; (b) by June 30, 1999, carry out said study in accordance with terms of reference acceptable to the Bank and furnish a draft final report thereof to said Leading Group and the Bank for review and comments; (c) furnish the final report of said study, taking into account comments made by the Leading Group and the Bank, to the Bank not later than six months following receipt of comments made by the Bank on said draft final report; and (d) thereafter, take all appropriate steps to implement the recommendations set out in said final report.

D. Part A (3) of the Project: Program of Expressway Safety in Guangdong

Guangdong shall: (a) by June 30, 1997, establish a Leading Group with representation acceptable to the Bank to guide the study on expressway safety under Part A (3) of the Project; (b) by June 30, 1999, carry out said study in accordance with terms of reference acceptable to the Bank and furnish a draft final report thereof to said Leading Group and the Bank for review and comments; (c) furnish the final report of said study, taking into account comments made by the Leading Group and the Bank, to the Bank not later than six months following receipt of comments made by the Bank on said draft final report; and (d) thereafter, take all appropriate steps to implement the recommendations set out in said final report.

E. Part B (2) of the Project: Institutional Strengthening and Training in Hunan

1. Hunan shall: (a) carry out the training under Part B (2) (c) of the Project in accordance with a training program acceptable to the Bank, and (b) to that end, furnish to the Bank for its prior approval, by June 30 of each year commencing in 1997, a rolling two-year training implementation schedule.

2. Hunan shall, by December 31, 2000, furnish to the Bank for its review and comments, an analysis and recommendations for the structure of toll-rates on the Xiangtan-Leiyang Expressway, taking into consideration the results of studies on toll-rate structures under Bank-financed highway projects in China and the recent experience with toll-rates in Guangdong, Hunan and other provinces.

3. Hunan shall: (a) by June 30, 1997, establish a Leading Group with representation acceptable to the Bank to guide the study on the management of highway maintenance under Part B (2) (a) of the Project; (b) by June 30, 1999, carry out said study in accordance with terms of reference acceptable to the Bank and furnish a draft final report thereof to said Leading Group and the Bank for review and comments; (c) furnish the final report of said study, taking into account comments made by the Leading Group and the Bank, to the Bank not later than six months following receipt of comments made by the Bank on said draft final report; and (d) thereafter, take all appropriate steps to implement the recommendations set out in said final report.

4. Hunan shall furnish to the Bank for its review and comments, by June 30, of each year from 1997 until 2001, an annual highway maintenance report for the previous calendar year which shall: (a) indicate the length and condition of each class of road in Hunan; (b) establish targets for the following year, including an estimate of planned works and the costs thereof; and (c) measure the results and the actual expenditures of the past year against the targets and the funds budgeted therefor.

5. Hunan shall: (a) by June 30, 1997 establish a Leading Group with representation acceptable to the Bank to guide the study on the commercialization of expressways under Part B (2) (b) of the Project; (b) by June 30, 1999, carry out said study in accordance with terms of reference acceptable to the Bank and furnish a draft final report thereof to said Leading Group and the Bank for review and comments; (c) furnish the final report of said study, taking into account comments made by the Leading Group and the Bank, to the Bank not later than six months following receipt of comments made by the Bank on said draft final report; and (d) thereafter, take all appropriate steps to implement the recommendations set out in said final report.

F. Part B (3) of the Project: Program of Road Safety in Hunan

Hunan shall:

(a) by June 30, 1997, establish and thereafter maintain a Leading Group with representation acceptable to the Bank to work with the Hunan Traffic Engineering Society in:

(i) incorporating road safety issues into the agenda of the annual meetings of said Society; and

(ii) establishing a program of annual seminars on road safety;

(b) by June 30, 1999:

(i) complete a manual on road safety at road works; a safety audit manual and a program of selected black spot analysis and improvement along National Route 107 under Part B (3) of the Project, all in accordance with terms of reference acceptable to the Bank;

(ii) furnish said manuals, and program to the Leading Group referred to in paragraph (a) of this Part F and to the Bank for review and comments; and

(iii) thereafter, take all appropriate measures to implement said manuals, and program, taking into consideration the comments of said Leading Group and the Bank thereon.

G. Monitoring and Reporting

Without limitation upon the provisions of Section 9.07 of the General Conditions:

1. Each Project Province shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 3 to this Agreement, the carrying out of its Respective Part of the Project and the achievement of the objectives thereof.

2. Each Project Province shall:

(a) prepare under terms of reference acceptable to the Bank and furnish to the Bank: (i) a quarterly report; and (ii) by June 30 of each year commencing in 1997 and ending three (3) years after completion of its Respective Part of the Project, an annual report, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part G, on the progress achieved in the carrying out of its Respective Part of the Project during the period preceding the dates of such reports and setting out the measures recommended to ensure the efficient carrying out of said Part of the Project and the achievement of the objectives thereof during the period following such dates; and

(b) review with the Bank by such subsequent dates as the Bank shall request, the reports referred to in sub-paragraph (a) of this paragraph 2 and, thereafter, take all measures required to ensure the efficient completion of its Respective Part 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.

SCHEDULE 3

Table 1a: Development Indicators

(PLEASE SEE ORIGINAL DOCUMENT FOR TABLE, IT WILL NOT FIT IN DOCUMENT)

