

CONFORMED COPY

CREDIT NUMBER 3169 CHA
LOAN NUMBER 4438 CHA

Project Agreement

(Yangtze Flood Emergency Rehabilitation Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

HUBEI PROVINCE

and

HUNAN PROVINCE

and

JIANGXI PROVINCE

Dated March 11, 1999

CREDIT NUMBER 3169 CHA
LOAN NUMBER 4438 CHA

PROJECT AGREEMENT

AGREEMENT, dated March 11, 1999, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and HUBEI PROVINCE, HUNAN PROVINCE and JIANGXI PROVINCE (collectively, the Project Provinces and individually a Project Province).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of China (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty eight million nine hundred thousand Special Drawing Rights (SDR 28,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Project Provinces agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the Loan Agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make available to the Borrower an amount equal to forty million Dollars (\$40,000,000), 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; and

WHEREAS the Project Provinces, in consideration of the Association's entering

into the Development Credit Agreement with the Borrower and 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 Development Credit Agreement, the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined in the Development Credit Agreement and the Loan Agreement, respectively) have the respective meanings therein set forth, and wherever used in this Agreement (except in Section 5.03 hereof and Part A.2 of Section I and Part A.2 of Section II of Schedule 1 hereto), references to the Association, the Credit or the Credit Account shall also be deemed as references to the Bank, the Loan and the Loan Account, respectively.

ARTICLE II

Execution of the Project

Section 2.01. (a) Each of the Project Provinces declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit 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, environmental and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, each of the Project Provinces 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 Association 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 Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Each of the Project Provinces shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08 of the General Conditions applicable to the Development Credit Agreement and in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions applicable to the Loan Agreement (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 its Respective Part of the Project.

(b) For the purposes of Section 9.07 of the General Conditions applicable to the Development Credit Agreement and Section 9.08 of the General Conditions applicable to the Loan Agreement, and without limitation thereto, each of the Project Provinces shall:

(i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and said Project Province, a plan for the future operation of its Respective Part of the Project; and

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

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

(b) Each of the Project Provinces shall promptly inform the Association 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 Credit, or the performance by said Project Province, of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Each of the Project Provinces shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the carrying out of its Respective Part of the Project.

(b) Each Project Province shall:

(i) have its 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 Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, as the Association 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 Development Credit Agreement and the Loan Agreement become effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Project Provinces thereunder shall terminate on the earlier of the following two dates:

(i) the date on which both the Development Credit Agreement and the Loan Agreement shall terminate in accordance with their terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement or the Loan Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify each of the Project Provinces of this event.

Section 4.03. All these provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions applicable to the Development Credit Agreement or the Loan Agreement.

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 Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Hubei:

The People's Government of Hubei Province
Hongshan Road Shuiguo Hu, Wuchang Wuhan 430071
Hubei Province
People's Republic of China

Facsimile:

027-87894271

For Hunan:

The People's Government of Hunan Province
69 Wuyi Road
Changsha
Hunan Province
People's Republic of China

Facsimile:

0731-4421029

For Jiangxi:

The People's Government of Jiangxi Province
69 Beijing West Road
Nanchang 330046
Jiangxi Province
People's Republic of China

Facsimile:

0791-6271447

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 any Vice Governor of said Project Province, or by such other person or persons as said Vice Governor shall designate in writing, and each Project Province shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. As long as the Bank has not given notice to the contrary to the Project Provinces and so long as the Development Credit Agreement shall not have terminated prior to the termination of the Loan Agreement:

(a) the obligations of the Project Provinces to consult with, and to furnish information, documents, plans, reports, records and statements to, the Bank shall be satisfied to the extent performance in respect of such obligations is rendered to the Association;

(b) the obligations of the Bank to consult with, and to furnish information to, the Project Provinces shall be satisfied to the extent such obligations are fulfilled by the Association; and

(c) all actions taken (including the giving of approvals or granting of waivers) by the Association pursuant to the Development Credit Agreement shall be deemed to be taken pursuant to both the Development Credit Agreement and the Loan Agreement, and in the name and on behalf of both the Association and the Bank.

Section 5.04. 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 DEVELOPMENT ASSOCIATION
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino
Authorized Representative

HUBEI PROVINCE

By /s/ Li Zhaoxing
Authorized Representative

HUNAN PROVINCE

By /s/ Li Zhaoxing
Authorized Representative

JIANGXI PROVINCE

By /s/ Li Zhaoxing
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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 September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the following provisions of Section I of this Schedule.

2. For the purposes of the procurement of goods or works to be financed in whole or in part out of the proceeds of the Credit, the references in paragraphs 1.6 and 1.9 of the Guidelines to "Bank member countries" and "member country" shall be deemed to be

references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section I, 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

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 (other than goods manufactured in the Hong Kong Special Administrative Region of the Borrower).

(b) 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 \$5,000,000 equivalent per contract and goods estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Small Works

Essential emergency works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$70,000,000 equivalent, for which quotations have been obtained prior to September 1, 1999, and other works estimated to cost less than \$300,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$4,000,000 may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitation to bid for contracts or the commencement of procurement through national shopping and small works procedures in accordance with the provisions of Part C of this Section I, the proposed procurement plan for the Project shall be furnished to the Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$2,000,000 or more and each contract for goods estimated to cost the equivalent of \$200,000 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

1. Consultants' services shall be procured in accordance with (a) 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, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the following provisions of Section II of this Schedule.

2. For the purposes of the procurement of consultants' services to be financed in whole or in part out of the proceeds of the Credit, the references in paragraph 1.10 of the Consultant Guidelines to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. 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 Association 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 Association 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 Association, 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 \$100,000 or more, the procedures set forth in paragraphs 1, 2 and (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 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 Association 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

The provisions of this Schedule shall apply for the purposes of Section 2.01 (b) of this Agreement.

1. Project Management

Each of the Project Provinces shall maintain or cause to be maintained throughout the period of implementation of its Respective Part of the Project, project leading groups and project management offices at the provincial, prefecture and county levels, each with functions and responsibilities satisfactory to the Association and with competent staff in adequate numbers.

2. Financing

Each of Hubei, Hunan and Jiangxi shall make available to each of the Project Beneficiaries the portion of the Credit and Loan proceeds required for the activities to be carried out by said Project Beneficiary under said Project Province's Respective Part of the Project and to be financed out of such proceeds on the following terms and conditions:

(A) With respect to the Credit:

(i) The principal amount of the proceeds of the Credit so made available shall be the equivalent in terms of Special Drawing Rights (determined as of the date or respective dates of withdrawal from the Credit Account) of the value of the currency or currencies so withdrawn on account of the cost of items required for such activities undertaken by such Project Beneficiary under said Respective Part of the Project, and to be financed out of such proceeds (the Credit Amount) and shall be recovered from the Project Beneficiary in Dollars;

(ii) such Credit Amount shall be repaid over a period of up to seventeen (17) years, inclusive of a grace period of up to five (5) years; and

(iii) a service charge of up to three fourths of one percent (3/4 of 1%) per annum shall be paid on such Credit Amount withdrawn and not repaid from time to time.

(B) With respect to the Loan:

(i) the principal amount of the proceeds of the Loan so made available shall be the equivalent in terms of Dollars (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out for such activities undertaken by such Project Beneficiary under said Respective Part of the Project, and to be financed out of such proceeds (the Loan Amount) and shall be recovered from the Project Beneficiary in Dollars;

(ii) the Loan Amount shall be repaid over a period of up to twenty (20) years, inclusive of a grace period of up to five (5) years; and

(iii) interest at a rate not exceeding that payable by the Borrower to the Bank in respect of such proceeds under the terms of the Loan Agreement shall be paid on such Loan Account withdrawn and not repaid from time to time.

3. Subprojects

Each reconstruction or restoration project proposed for inclusion in a Project Province's Respective Part of the Project shall qualify as a Subproject eligible for financing out of the proceeds of the Credit only if it meets the following requirements:

(a) said Project Province has determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association that:

(i) the Subproject has been selected from a list of flood-damaged facilities which: (A) are urgently needed by the community; (B) give priority to townships in poldered areas; (C) are capable of being repaired at a reasonable cost; (D) would, upon repair, be expected to be resistant to future floods; and (E) would, once repaired, enhance the productive activities of the Project Beneficiary concerned;

(ii) the Subproject is technically feasible;

(iii) the Subproject is in compliance with environmental standards acceptable to the Association, and with all applicable laws and regulations of the Borrower relating to health, safety and environmental protection; and

(iv) if the Subproject would involve Affected Persons, it includes a plan for resettlement and compensation for all said persons which: (A) has been prepared on the basis of policies, planning principles, institutional arrangements and design criteria acceptable to the Association, designed to improve the living standards and productive capacity of such persons; and (B) in the case of a Subproject involving 200 Affected Persons or more, has been furnished to, and approved by, the Association; and

(b) if the total estimated cost of the Subproject exceeds \$1,200,000, its appraisal report has been furnished to the Association and the Association has communicated to said Project Province its acceptance of the inclusion of the Subproject in said Project Province's Respective Part of the Project.

4. Annual Work Plan

Each Project Province shall: (a) no later than November 30 in each year, commencing November 30, 1999, submit to the Association for its review and approval a detailed work plan for the following calendar year; (b) no later than December 31 in each year finalize said work plan taking into account the Association's comments thereon; and (c) thereafter carry out said work plan in a manner satisfactory to the Association.

5. Procurement and Completion of Essential Emergency Works

Each Project Province shall ensure that essential emergency works procured in accordance with paragraph 2 of Part C of Section I of Schedule 1 to this Agreement shall be completed within 12 months of the commencement of such works.

6. Monitoring and Reporting

Each of the Project Provinces shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of its Respective Part of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association semi-annual reports on or about January 31 and July 31 in each year, commencing July 31, 1999, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of its Respective Part of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of its Respective Part of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, within thirty (30) days of its being furnished to the Association, or such later date as may be agreed with the Association, the report referred to in paragraph (b) of this Section for which it is responsible, 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 report and the Association's views on the matter.

