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**LOAN NUMBER 4847-CHA**

# **Loan Agreement**

**(Third National Railway Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated April 6, 2007**

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## **LOAN AGREEMENT**

Agreement dated April 6, 2007, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("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) ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("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%) 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.
- 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 April 15 and October 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.

- 2.08. On each of the semiannual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest on the Loan accrued and payable on or before the date set forth, and up to the amount allocated in, Category (4) of the table in paragraph 2, Section IV, Schedule 2 to this Agreement, as such Category may be amended from time to time by agreement between the Borrower and the Bank.

### **ARTICLE III – PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through its Ministry of Railways 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. Yang Shaolin

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Mr. David Dollar

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Borrower in expanding the capacity of its railway system to meet the growing demand for transport of people and goods between Guizhou and Yunnan provinces.

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 such objectives:

#### Part A: Liu-Zhan railway line upgrading

1. Upgrading of the electrified railway line between the city of Liupanshui in Guizhou Province and the city of Zhanyi in Yunnan Province to increase its capacity and allow for higher operating speed of trains, including realignment of the existing track as needed and construction of a second track throughout, to design standards that will allow operation of double-stack container trains.
2. Resettlement and rehabilitation of Displaced Persons in connection with the carrying out of Part A.1 of the Project.

#### Part B: Strengthening the Ministry of Railways' Planning, Management and Technology Capacity

Strengthening the capacity of the Ministry of Railways on railway planning, management and technology, including the carrying out of related studies and provision of technical assistance therefor.

**SCHEDULE 2****Project Execution****Section I. Institutional and Other Arrangements**

1. In carrying out Part A of the Project, the Borrower shall:
  - (a) take, or cause to be taken, all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently;
  - (b) carry out, or cause to be carried out, the EMP, the RAP and the RAP Arrangements, in a manner satisfactory to the Bank; and
  - (c) furnish, or cause to be furnished, any proposed revision to the EMP or the RAP or the RAP Arrangements referred to in sub-paragraph (b) above to the Bank for its prior approval.
  
2. In carrying out Part A of the Project, the Borrower shall, through its Ministry of Railways:
  - (a) adopt and maintain construction standard for 25-ton axleloads, satisfactory to the Bank, which shall apply to the design for the Liu-Zhan railway line; and
  - (b) by not later than December 31, 2009, enter into agreements with power suppliers or relevant Provinces, satisfactory to the Bank, to ensure adequate electric power supply for the electric traction on the Liu-Zhan railway line.
  
3. In carrying out Part B of the Project, the Borrower shall, through its Ministry of Railways:
  - (a) carry out the studies in accordance with terms of reference acceptable to the Bank;
  - (b) not later than February 15 in each year, commencing February 15, 2008, furnish to the Bank for comments the recommendations of the studies carried out in the preceding year;
  - (c) not later than April 1 in each year, commencing April 1, 2008, prepare action plans for the implementation of the recommendations of the studies carried out in the preceding year, taking into account the comments of the Bank on such recommendations, if any; and

- (d) promptly thereafter, carry out each of such action plans.
4. The Borrower shall, through its Ministry of Railways:
- (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 carrying out of the Project and the achievement of the objectives thereof;
  - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 15 and August 15 of each year, commencing August 15, 2007, and until completion of the Project, a report 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 the Project during the calendar semester preceding the date of each said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the calendar semester following such date; and
  - (c) review with the Bank, by April 1 and October 1 in each year, commencing October 1, 2007, and until completion of the Project, or such later date as the Bank shall request, each of the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of each of the said reports and the Bank's views on the matter.

## **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 forty-five (45) days 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 December 31, 2012.

**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. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. 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 (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) 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 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. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region and the Macau Special Administrative Region of the Borrower).



2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International 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><u>Procurement Method</u></b>
(a) National Competitive Bidding

**National Competitive Bidding.** (a) Works estimated to cost less than \$15,000,000 equivalent per contract and goods estimated to cost less than \$300,000 equivalent may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

(b) 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 in case of breach of contract

by the contractor, and the bidding documents shall specify the required form and amount of such security.

- (v) 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) 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.
- (viii) 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.
- (ix) 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.
- (x) Re-bidding should not be allowed solely because the number of bids is less than three (3).

**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><u>Procurement Method</u></b>
(a) Quality-Based Selection
(b) Selection Based on Consultants' Qualifications
(c) Selection of Individual Consultants
(d) Single Source Selection

**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) each contract for works estimated to cost the equivalent of \$5,000,000 or more; (b) each contract for goods estimated to cost the equivalent of \$300,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (e) all consultant's contracts procured under single source selection. 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 Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), 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 including taxes.

<b><u>Category</u></b>	<b><u>Amount of the Loan Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be financed</u></b>
(1) Works	99,313,000	40%
(2) Goods	79,187,000	100%
(3) Consultants' Services	1,000,000	100%
(4) Interest and other charges during construction	9,000,000	Amounts due pursuant to Section 2.08 of this Agreement
(5) Unallocated	11,500,000	
<b>TOTAL AMOUNT</b>	<b><u>200,000,000</u></b>	

**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 \$20,000,000 equivalent may be made for payments made prior to this date but on or after April 1, 2006, for Eligible Expenditures under Category (1).

2. The Closing Date is June 30, 2012.

## Annex

## Performance Indicators

Project Development Indicators <sup>(1)</sup>	Base-line values	Target values <sup>(4)</sup>	Data Collection and Reporting		
			Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
	2004	First full year of operation			
Commercial speed <sup>(2)</sup> – freight (km/hr)	23	41	Project completion	operating statistics	MOR
Commercial speed <sup>(2)</sup> – express passenger (km/hr)	55	90	Project completion	operating statistics	MOR
Average <sup>(3)</sup> number of trains (freight plus passenger) operated (pairs/day)	31	50	Project completion	operating statistics	MOR

## Notes:

- (1) All indicators are measured on the line between the junction stations of Liupanshui (origin) and Zhanyi (destination).
- (2) The commercial speed from origin to destination is the average speed including intermediate stops for operational purposes.
- (3) Averaged over the year.
- (4) Target values are based upon 2010 projections.

**SCHEDULE 3****Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)<sup>1</sup></u>
October 15, 2012	4,260,000
April 15, 2013	4,385,000
October 15, 2013	4,515,000
April 15, 2014	4,645,000
October 15, 2014	4,780,000
April 15, 2015	4,920,000
October 15, 2015	5,065,000
April 15, 2016	5,210,000
October 15, 2016	5,365,000
April 15, 2017	5,520,000
October 15, 2017	5,680,000
April 15, 2018	5,845,000
October 15, 2018	6,015,000
April 15, 2019	6,190,000
October 15, 2019	6,375,000
April 15, 2020	6,560,000
October 15, 2020	6,750,000
April 15, 2021	6,945,000
October 15, 2021	7,150,000
April 15, 2022	7,355,000
October 15, 2022	7,570,000
April 15, 2023	7,790,000
October 15, 2023	8,020,000
April 15, 2024	8,255,000
October 15, 2024	8,495,000
April 15, 2025	8,740,000
October 15, 2025	8,995,000
April 15, 2026	9,260,000
October 15, 2026	9,530,000
April 15, 2027	9,815,000

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<sup>1</sup> The figures in this column represent the amount dollars to be repaid, except as provided in Section 3.10 of the General Conditions.

**APPENDIX****Section I. Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “Displaced Person” means a person who, on account of the execution of the Project, 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.
4. “EMP” means the environmental management plan dated September 8, 2005 and duly adopted by the Borrower in respect of the Project which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as the same may be revised from time to time with the agreement of the Bank.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
6. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
7. “Procurement Plan” means the Borrower’s procurement plan, dated November 28, 2006, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding twelve (12) month periods (or longer) of Project implementation.
8. “RAP” means the resettlement action plan for the Provinces of Yunnan, and Guizhou in respect of the Project, duly adopted by the Borrower and dated September 9, 2005, which plan sets out the principles and procedures governing land acquisition, resettlement and compensation, 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.

9. “RAP Arrangements” means collectively the arrangements dated December 20, 2004, entered into between the Ministry of Railways and the Province of Yunnan and the arrangements dated September 22, 2006, entered into between the Ministry of Railways and the Province of Guizhou, for the purpose of causing the RAP to be carried out in accordance with paragraph 1(b) of Section I of Schedule 2 to this Agreement, as the same may be revised from time to time with the prior agreement of the Bank.