

CONFORMED COPY

CREDIT NUMBER 2457-CHA

Changchun
Project Agreement

(Changchun Water Supply and Environmental Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CHANGCHUN MUNICIPALITY

Dated March 18, 1993

CREDIT NUMBER 2457-CHA

CHANGCHUN
PROJECT AGREEMENT

AGREEMENT, dated March 18, 1993, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and CHANGCHUN MUNICIPALITY (Changchun).

WHEREAS 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 eighty-six million six hundred thousand Special Drawing Rights (SDR 86,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Changchun agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS Changchun, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined

in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Changchun 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 and cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, Changchun shall carry out and cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

(c) Without limitation to the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, Changchun shall relend a portion of the proceeds of the Credit to:

(i) CWSC for purposes of carrying out Parts A, D.1(a) and (b), and E of the Project; and

(ii) CSC for purposes of carrying out Parts B, D.1(c) and (d), and E of the Project, under Subsidiary Loan Agreements to be entered into between Changchun and CWSC, and between Changchun and CSC, respectively, under terms and conditions acceptable to the Association, which shall include the following terms and conditions for each such Subsidiary Loan:

(A) the term for repayment of the Subsidiary Loan shall not exceed fifteen years, including five years grace;

(B) interest shall be paid on the outstanding principal amount of the Subsidiary Loan from time to time: (i) at a fixed rate of 5.1 percent per annum by CSC; and (ii) at the per annum variable rate charged by the International Bank for Reconstruction and Development for multi-currency loans plus a spread of 1.5 percent by CWSC;

(C) a commitment charge shall be paid on the principal amount of the Subsidiary Loan not withdrawn from time to time at a fixed rate of one-half of one percent; and

(D) all foreign exchange risks incurred during repayment of a Subsidiary Loan shall be borne by the Company receiving the Subsidiary Loan.

(d) Changchun shall exercise its rights under each Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purpose of the Credit, and, except as the Association may otherwise agree, Changchun shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements, or any provision thereof.

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. Changchun shall carry out, and cause to be carried out, the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the

Changchun Project Agreement and Parts C, D.2 and E of the Project.

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

(b) Changchun shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of carrying out the Project, the accomplishment of the purposes of the Credit, or the performance by Changchun of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Changchun shall maintain, and shall cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts C, D.2 and E of the Project of the departments or agencies of Changchun responsible for carrying out such part of the Project.

(b) Changchun 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 Association.

(ii) furnish to the Association as soon as available, but in any case not later than six 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 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.

Section 3.02. Changchun and the Association shall, from time to time, at the request of either party, exchange views with regard to the Changchun's water and sewer services pricing policies and its plans in respect of the overall development of the water supply and sewer services sectors.

Section 3.03. (a) Changchun shall eliminate, by completion of the Project, all commercial, domestic and other exemptions from water charges and sewerage fees, and shall make progress, satisfactory to the Association, during the implementation of the Project toward the elimination of such exemptions.

(b) Changchun shall charge a fee, for purposes of infrastructure development, of 10 Renminbi per square meter of new construction for which permits are granted.

Section 3.04. (a) Changchun shall take all measures, necessary or appropriate, to ensure that each Company complies with the financial covenants of Article IV of the CWSC and CSC Project Agreement.

(b) Changchun shall ensure that CWSC and CSC shall retain all profits (exclusive of taxes) during the construction of civil works under the Project and during repayment of their respective Subsidiary Loans.

(c) Changchun shall, by December 31, 1993, transfer ownership of all public sewer assets owned by Changchun to CSC.

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 becomes effective.

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

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

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

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

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 Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

For Changchun:

Changchun Municipal Finance Bureau
19 Jinshui Road
Chaoyang District
Changchun, Jilin Province
People's Republic of China

Telex:

83109 JLF BCN

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 Changchun may be taken or executed by the Mayor or Vice Mayor or such other person or persons as the Mayor or Vice Mayor shall designate in writing, and Changchun shall furnish to the Association 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 DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kajji

Regional Vice President
East Asia and Pacific

CHANGCHUN MUNICIPALITY

By /s/ Zhao Xixin

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Bidders for civil works contracts under Parts A and B of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in China may be granted a margin or preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 thereof, Changchun may grant a margin of preference to domestic contractors in China in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Civil works for dormitories, offices and minor water distribution system improvements estimated to cost the equivalent of \$4,000,000 or less per contract, up to an aggregate amount equivalent to \$18,100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with

procedures satisfactory to the Association.

2. Items or groups of items estimated to cost the equivalent of less than \$200,000 per contract, up to an aggregate amount equivalent to \$9,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Contracts for minor civil works for the provision of electricity to project sites may be awarded after direct negotiations with the local supplier, in accordance with direct contracting procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$3,000,000 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 4 of Appendix 1 to the Guidelines shall apply. When payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2(d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect or such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. When payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 or Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment or Consultants

In order to assist Changchun, CWSC and CSC in carrying out the Project, Changchun, CWSC and CSC shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis 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.

SCHEDULE 2

Implementation Program

Part A: Project Management

1. (a) Changchun shall maintain a project management office (PMO) through completion of the Project, with appropriate facilities and managed by qualified and experienced personnel assisted by competent staff in adequate numbers.

(b) Changchun shall supervise construction in accordance with the detailed construction supervision plans provided to the Association.

2. Without limitation to the reporting requirements of the General Conditions and this Agreement, Changchun, through the PMO, shall submit quarterly reports of the progress of carrying out the Project, including progress made in acquiring land required for the Project and in the resettlement of persons affected by the Project.

3. Changchun shall cause the Shitoukoumen Reservoir dam and related structures to be periodically inspected in accordance with sound engineering practice in order to determine whether there are any deficiencies in the condition of such structures, or in the quality and adequacy of maintenance or methods of operations of the same, which may endanger their safety. To this end, Changchun shall, by December 31, 1993, provide to the Association for its review, appropriate arrangements for inspection, maintenance and operation.

Part B: Water and Sewerage Components

1. (a) Changchun shall enter into a contract with CWSC ("Changchun Water Supply Contract"), under terms and conditions satisfactory to the Association, which shall include, without limitation, a provision that Changchun shall ensure that water is made available from Shitoukoumen Reservoir to CWSC at appropriate prices and in adequate quantities sufficient to meet the household and industrial water requirements of Changchun; and

(b) Changchun shall exercise its rights, under the Changchun Water Supply Contract in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, Changcun shall not assign, amend, abrogate or waive the Changchun Water Supply Contract or any provision thereof.

Part C: Environment and Resettlement

1. Changchun shall carry out and cause to be carried out, all measures necessary or appropriate to mitigate any negative environmental impact related to construction of civil works under the Project as set forth in the Environmental Impact Assessment Report for the Changchun Water Supply and Environmental Project.

2. Changchun shall, by December 31, 1995, carry out the studies described in Part D.2 of the Project and develop a plan for industrial relocation in order to decrease industrial pollution, all with the assistance of consultants and under terms of reference satisfactory to the Association. Thereafter, Changchun shall implement the plan for industrial relocation in accordance with its terms.

3. (a) Changchun shall, with the assistance of CWSC and CSC, carry out a plan, acceptable to the Association, for the resettlement of persons affected by the Project, in a manner and pursuant to a schedule satisfactory to the Association.

(b) Changchun shall report on the progress of carrying out the resettlement plan using monitoring indicators acceptable to the Association.

