

CONFORMED COPY

CREDIT NUMBER 3078 CHA

Project Agreement

(Hebei Earthquake Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

HEBEI PROVINCE

Dated June 12, 1998

CREDIT NUMBER 3078 CHA

PROJECT AGREEMENT

AGREEMENT, dated June 12, 1998, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and HEBEI PROVINCE (Hebei).

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-one million one hundred thousand Special Drawing Rights (SDR 21,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Hebei agrees to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Hebei, 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, the Preamble to this 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) Hebei 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 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 the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Hebei shall otherwise agree, Hebei shall carry out 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) Hebei 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 (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 9.07 of the General Conditions and without limitation thereto, Hebei 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 Hebei, a plan for the future operation of the Project; and

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

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

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

## ARTICLE III

### Financial Covenants

Section 3.01. (a) Hebei 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 the Project of the departments or agencies of Hebei responsible for carrying out the Project or any part thereof.

(b) Hebei 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 (6) months after the end of each such

year, the report of such audit  
and in such detail as the Association shall  
requested; and

by said auditors, of such scope  
have reasonably

(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 becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of  
Hebei 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 (20) 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 Hebei 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 (MCI) or  
64145 (MCI)

For Hebei Province:

The People's Government  
of Hebei Province  
10, Wei Ming Street  
Shijiazhuang  
Hebei Province  
People's Republic of China

Telex:

26240 PBL SJ CN

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 Hebei may be taken or executed by any Vice Governor of Hebei or such other person or persons as said Vice Governor shall designate in writing, and Hebei 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/ Sven Sandstrom

Authorized Representative

HEBEI PROVINCE

By /s/ Li Zhaoxing

Authorized Representative

SCHEDULE 1

Procurement

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 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: Procurement Procedures

1. National Shopping

Goods shall 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.

2. Procurement of Small

Works Except as otherwise provided in paragraph 3 in Part B of this Section, works shall 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 price quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. Force Account

Works for the reconstruction of about 250 village-level schools that meet the requirements of paragraph 3.8 of the Guidelines, and costing \$2,500,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the commencement of procurement through national shopping, small works procurement and force account procedures in accordance with the provisions of Part B 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 goods estimated to cost the equivalent of \$200,000 or more and each contract for works estimated to cost the equivalent of \$1,000,000 or more, the following procedures shall apply:

(i) prior to the selection of any supplier or contractor, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) 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

Consultants' services shall be procured in accordance with 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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. Individual Consultants

Services for establishing appropriate building codes under Part A of the Project 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.

Project Management

1. Hebei shall maintain or cause to be maintained throughout the period of implementation of the Project, earthquake program offices at the provincial and municipal levels and in each of the Project Counties, each with functions and responsibilities satisfactory to the Association and with competent staff in adequate numbers.

Financing

2. Hebei shall, through Zhangjiakou Municipality, make available to each of the Project Beneficiaries the portion of the Credit proceeds corresponding to the cost of goods, works and services required for its respective activities under the Project and to be financed out of such proceeds:

(a) for Project Parts other than Parts A(i) and C, on the following terms and conditions:

(i) the principal amount of the proceeds so made available shall be the equivalent in terms of SDR (determined on the respective date of withdrawal from the Credit Account) of the value of the currency or currencies so withdrawn on account of the cost of goods, works and services required for such activities undertaken by such Project Beneficiary under the Project, and to be financed out of such proceeds (the SDR Amount) and shall be recovered from the Project Beneficiary in terms of the

currency of the Borrower (determined on the date \_\_\_\_\_ or respective dates of withdrawal from the Credit Account) of the value of the currency or currencies so withdrawn or paid out;

(ii) such principal amount shall be repaid over a period of thirteen (13) years, inclusive of a grace period of four (4) years;

(iii) a service charge of three-fourths of one percent (3/4 of 1%) per annum shall be paid on such principal amount withdrawn and not repaid from time to time; and

(iv) a commitment charge not exceeding one half of one percent (1/2 of 1%) per annum shall be paid on such principal amount not withdrawn from time to time.

(b) for Part A(i) of the Project (housing reconstruction and repair), on a grant basis.

#### Selection Criteria

3. Hebei shall ensure that schools and houses under Part A of the Project, shall be selected from a list of earthquake-damaged facilities acceptable to the Association, on the basis of the following criteria: (a) community need; (b) type and age of structure; (c) suitability for repair; (d) expected service life after repair; and (e) scope for enhancement of productive activities.

#### Monitoring and Reporting

4. Hebei 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 the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, quarterly reports on or about January 31, April 30, July 31 and October 31 in each year, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) above, on the progress achieved in the carrying out of the Project during the preceding calendar quarter and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the then current calendar quarter; and

(c) after furnishing each report referred to in paragraph (b) above, review said report with the Association, and promptly 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 said report and the Association's views on the matter.

