Project Agreement

(Hubei Shiman Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

HUBEI PROVINCE

Dated October 11, 2004
PROJECT AGREEMENT

AGREEMENT, dated October 11, 2004, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and HUBEI PROVINCE.

WHEREAS (A) by the Loan Agreement of even date herewith between the People’s Republic of China (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of two hundred million Dollars ($200,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Hubei Province agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Hubei Province, in consideration of the Bank’s entering into the Loan 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 Loan Agreement, the Preamble to this 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) Hubei 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and economic practices, and social and environmental standards acceptable to the Bank, 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 Hubei Province shall otherwise agree, Hubei Province shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) Hubei Province shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 2.03. (a) Hubei 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 9.07 of the General Conditions and without limitation thereto, Hubei 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 Hubei Province, a plan for the future operation of the Project; and

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

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

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

ARTICLE III
Financial Covenants

Section 3.01. (a) Hubei Province shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect resources and expenditures in respect of the Project.

(b) Hubei Province shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with auditing standards acceptable to the Bank, 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 six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 3.02. (a) Without limitation upon Hubei Province’s reporting obligations set out in paragraph 11 of Schedule 2 to this Agreement, Hubei Province shall prepare and furnish to the Bank financial monitoring reports, in form and substance satisfactory to the Bank, which set forth sources and uses of funds for the Project, both cumulatively and for the period covered by each said report, showing separately funds provided under the Loan, and explain variances between the actual and planned uses of such funds.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each financial monitoring report shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such calendar semester.

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 Hubei 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 Hubei Province thereof.

Section 4.03. All 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:
For the Bank:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
Washington, D.C.

For Hubei Province:

c/o Hubei Provincial Communications Department
428 Jianshe Avenue
Wuhan, Hubei
People’s Republic of China 430030

Facsimile:

(86-27) 83460754

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 Hubei Province may be taken or executed by the Governor or any Vice Governor of Hubei Province or such other person or persons as such Governor or Vice Governor shall designate in writing, and Hubei 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 Beijing, People’s Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ David Dollar

Authorized Representative

HUBEI PROVINCE

By /s/ Zou Jiayi

Authorized Representative
SCHEDULE 1

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding

Except as otherwise provided in Part B of this Section, contracts shall be 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).

B. Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than $250,000 equivalent per contract and works estimated to cost less than $15,000,000 equivalent per contract, except works under Part
A.1 (a) of the Project, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

The procedures to be followed for National Competitive Bidding under Part C.1 of this Section 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 or Hubei Province, as the case may be, 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 or Hubei Province, as the case may be.

(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).

2. **Shopping**

Goods estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection**
Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
B. Other Procedures

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, 3.7 and 3.8 of the Consultant Guidelines.

2. Individual Consultants

Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. 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 goods estimated to cost the equivalent of $250,000 or more, and works and services (other than consultants’ services) estimated to cost the equivalent of $5,000,000 or more; and (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more shall be subject to Prior Review by the Bank. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 2

Implementation Program

1. In carrying out Parts A and B of the Project, Hubei Province 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 of income or means of livelihood, temporarily or permanently;

   (b) carry out the EMPs, RAPs and the Resettlement Policy Framework, in a manner satisfactory to the Bank; and

   (c) furnish any proposed revision of the plans and the Resettlement Policy Framework referred to in sub-paragraph (b) above to the Bank for its prior approval.

2. In carrying out Parts A and B of the Project, Hubei 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 carrying out of the EMPs, RAPs, the Resettlement Policy Framework, and the EMDP, if any; and

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

      (i) an annual summary environmental monitoring report, by January 31 of each year, commencing January 31, 2005, and until completion of the Project;

      (ii) a semi-annual environmental monitoring report by January 31 and July 31 of each year, commencing January 31, 2005, and until completion of the Project;

      (iii) by January 31 and July 31 of each year until completion of the Project, commencing January 31, 2005, an internal monitoring report prepared by the appropriate agencies of Hubei Province on the implementation and impact of resettlement activities during the preceding one year or six-month period, as the case may be; and
(iv) by January 31 and July 31 of each year until completion of the Project, commencing January 31, 2005, an external monitoring report prepared by an independent entity acceptable to the Bank on the implementation and impact of resettlement activities and the EMDP, if any, during the preceding year.

3. In carrying out Parts A and B of the Project, Hubei Province shall prepare, and provide to the Bank a quarterly progress report, in form and content satisfactory to the Bank, on the progress of civil works and highlighting any environmental issues, commencing January 14, 2005, and until completion of the Project.

4. In carrying out Part A of the Project, Hubei Province shall, by June 30, 2007, or such later date as the Bank shall otherwise agree, prepare and furnish to the Bank for its review and comment, an analysis and recommendations on the structure of toll rates on the Shiyan-Manchuangan Expressway, taking into consideration the results of other studies on toll-rate structures under Bank-financed highway projects in China and the experience with toll rates on major roads in China.

5. In carrying out Part A of the Project, Hubei Province shall furnish to the Bank, by December 31, 2007, an operations risk management plan, acceptable to the Bank.

6. In carrying out Part B of the Project, Hubei Province shall, prior to commencing works on any local road section selected pursuant to paragraph 7 of this Schedule, prepare in a manner and substance satisfactory to the Bank:

   (a) using indicators acceptable to the Bank, and furnish to the Bank for its prior approval, an economic and social benefits analysis and a technical analysis, including alternative engineering designs, proposed work plans and estimated costs;

   (b) an environmental impact assessment and, if necessary, an EMP; and

   (c) if necessary, and without limitation to the provisions of paragraph 1 of this Schedule:

      (i) for any local road section which requires the acquisition of land, temporarily or permanently, prepare and implement a resettlement action plan satisfactory to the Bank, in accordance with the principles and procedures set forth in the Resettlement Policy Framework;

      (ii) furnish the same to the Bank for its approval;
(iii) conduct a social assessment, satisfactory to the Bank to determine, inter alia, the necessity of an EMDP;

(iv) if necessary, prepare and carry out such EMDP in a manner satisfactory to the Bank; and

(v) furnish any proposed revision of the plans referred to in this paragraph to the Bank for its prior approval.

7. In carrying out Part B.1 of the Project, Hubei Province shall select local road sections for rehabilitation and upgrading in accordance with criteria acceptable to the Bank, including the following:

(a) the current condition of the road;

(b) the lack of alternative transport infrastructure;

(c) minimum daily existing traffic volume at least at: (i) 400 Medium Truck Equivalent (MTE) for Class IV roads; (ii) 500 MTE for Class III roads; and (iii) 600 MTE for Class II roads;

(d) expected impact of the rehabilitation/upgrading on: (i) the population’s access to education, health and other social activities; and (ii) the economic development, including facilitation of production and commercialization of local products;

(e) contribution to Hubei Province’s plan to improve the functional responsiveness of the highway network;

(f) strong support by the local government and the local residents;

(g) an expected economic rate of return higher than 12%; and

(h) minimizing to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or of income or means of livelihood, temporarily or permanently.

8. In carrying out Part B.1 of the Project, Hubei Province shall furnish to the Bank, by December 31, 2008, an assessment of the social impacts of the Project activities under such Part of the Project.
9. In carrying out Part C.1 of the Project, Hubei Province shall:

   (a) carry out the training in accordance with a training program acceptable to
       the Bank; and

   (b) shall furnish to the Bank by January 31 of each year, commencing
       January 31, 2005, and until completion of the Project, a report on the training carried out
       over the preceding year.

10. In carrying out Part C of the Project, Hubei Province shall:

   (a) carry out the study on group management of projects by January 31,
       2006, and, thereafter, furnish the recommendations of the study to the Bank, for
       comments, if any;

   (b) carry out the study on new technologies in maintenance by June 30,
       2007, and, thereafter, furnish the recommendations of the study to the Bank, for
       comments, if any;

   (c) carry out the study on capital mobilization by December 31, 2007, and,
       thereafter, furnish the recommendations of the study to the Bank, for comments, if any;

   (d) carry out the pilot study on expressway asset management by December
       31, 2007, and, thereafter, furnish the recommendations of the study to the Bank, for
       comments, if any;

   (e) carry out the study on the safety of commercial transport operations by
       December 31, 2007, and, thereafter, furnish the recommendations of the study to the
       Bank, for comments, if any; and

   (f) by December 31, 2007, prepare the highway safety management plan,
       acceptable to the Bank.
11. Hubei Province 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 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 January 31 of each year, commencing January 31, 2005, 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 period preceding the date of 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 period following such date; and

   (c) review with the Bank, by March 31 in each year, or such later date as the Bank shall request, commencing March 31, 2005, and until completion of the Project, the report 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 the said report and the Bank’s views on the matter.