Project Agreement

(Agricultural Technology Transfer Project)

among

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ANHUI PROVINCE
HUNAN PROVINCE
HEILONGJIANG PROVINCE
AND
SHAANXI PROVINCE

Dated June 7, 2005
PROJECT AGREEMENT

AGREEMENT dated June 7, 2005, among INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ANHUI PROVINCE (Anhui), HUNAN PROVINCE (Hunan), HEILONGJIANG PROVINCE (Heilongjiang), and SHAANXI PROVINCE (Shaanxi) (Anhui, Hunan, Heilongjiang, and Shaanxi, each a Project Province, and collectively, the Project Provinces).

WHEREAS 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 one hundred million Dollars ($100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Anhui, Hunan, Heilongjiang, and Shaanxi agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Anhui, Hunan, Heilongjiang, and Shaanxi, in consideration of 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 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) Each Project 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 its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, management, financial, and engineering practices, and sound social, environmental, and agricultural 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 its Respective Part of the Project.
Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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) Anhui, Hunan, Heilongjiang, or Shaanxi shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 2.03. (a) Each Project 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 and its Respective Part of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, each Project 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 the Project Provinces, a plan designed to ensure sustainability of its Respective Part of the Project and for continued achievement of the objectives of the Project; and

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

Section 2.04. (a) Each Project Province shall, at the request of the Bank, exchange views with the Bank 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 Loan.

(b) Each Project Province shall promptly inform the Bank 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 Loan, or the performance by each Project Province of its obligations under this Agreement.
ARTICLE III

Financial Covenants

Section 3.01. (a) Each Project 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 its operations, resources and expenditures related to its Respective Part of the Project.

(b) Each Project Province shall:

(i) have its financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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 the Project Provinces’ reporting obligations set out in paragraph 8 of Schedule 2 to this Agreement, each Project Province shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which sets forth sources and uses of funds for its Respective Part of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(b) The first such financial monitoring report shall be furnished to the Bank not later than forty-five (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 its Respective Part of the Project through the end of such first calendar semester; thereafter, each financial monitoring report shall be furnished to the Bank not later than
forty-five (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 each Project 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 each Project Province thereof.

Section 4.03. All this 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: Telex: Facsimile:
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 each Project Province may be taken or executed by the Governor or Vice Governor, as the case may be, or such other person or persons as said Governor or Vice Governor shall designate in writing, and each Project 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

ANHUI PROVINCE

By: /s/ Ju Kuilin
Authorized Representative

HUNAN PROVINCE

By: /s/ Ju Kuilin
Authorized Representative

HEILONGJIANG PROVINCE

By: /s/ Ju Kuilin
Authorized Representative

SHAANXI PROVINCE

By: /s/ Ju Kuilin
Authorized Representative
SCHEDULE 1
Procurement and Consultants’ Services

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: 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 or the Macao Special Administrative Region of the Borrower).

B. Other Procurement Procedures

1. National Competitive Bidding

   (a) Goods estimated to cost less than $500,000 equivalent per contract and works estimated to cost less than $10,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

   (b) The procedures to be followed for National Competitive Bidding under Part B.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 Procurement Guidelines:

(i) All invitations to prequalify or to bid shall be advertised: (A) for works, in a newspaper of national circulation in China, except for works estimated to cost less than $2,000,000 equivalent per contract which may be advertised in a newspaper of provincial circulation; and (B) for goods, in a newspaper of provincial circulation, and 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 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.

(iv) The time for opening of all bids shall be the same as the deadline for receipt of such bids.

(v) All bids shall be opened in public; all bidders shall be afforded 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.

(vi) 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.

(vii) 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.

(viii) 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.

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

3. **Direct Contracting.** Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. **Community Participation.** Goods, works and services described in the Procurement Plan and required for Sub-projects under Part B of the Project may be procured on the basis of community participation in accordance with the procedures acceptable to the Bank.

**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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $300,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based Selection.** Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $200,000 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.

3. **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, after the prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 2

Implementation Program

A. Project Management and Coordination

1. Each Project Province shall, throughout the period of the implementation of the Project:

   (a) maintain its Provincial Project Leading Group chaired by a Vice Governor in charge of the Provincial Office for Comprehensive Agricultural Development, with representation from the relevant Provincial agencies and concerned entities within the Project Province, including from the Women’s Federation; said Project Leading Group to be responsible, with respect to implementation of the Project, for:
      (i) implementing the policies and plans formulated by the Central Project Leading Group;
      (ii) providing coordination among relevant line agencies; (iii) organizing and coordinating counterpart funding; and (iv) evaluating Sub-project proposals under Part B of the Project in accordance with criteria acceptable to the Bank and deciding on their eligibility for financing under the Project;

   (b) maintain its PPMO to manage and coordinate the activities under its Respective Part of the Project under terms of reference acceptable to the Bank; said PPMO to be under the direction of qualified and experienced managers and staffed with competent personnel in sufficient numbers, and provided with adequate resources, all in a manner satisfactory to the Bank; and

   (c) cause to be maintained a Local PMO for each Project City/County to be managed and staffed with qualified personnel in sufficient numbers, and provided with adequate resources, to be responsible for the day-to-day management and coordination of Project implementation within their respective jurisdiction, all under terms of reference acceptable to the Bank.

B. Project Implementation

Environmental Management (including Pest Management)

2. For purposes of ensuring that the Project is implemented in accordance with sound environmental practices and standards, each Project Province shall:

   (a) implement the Environmental Management Plan in a manner satisfactory to the Bank;
(b) in respect each Sub-project under Part B of the Project in particular, to cause the beneficiary of said Sub-project to: (i) carry out an environmental screening in accordance with guidelines satisfactory to the Bank; and thereafter; (ii) incorporate appropriate mitigation measures into the relevant Sub-project; and

(c) carry out the Pest Management Plan in a manner satisfactory to the Bank.

Land Acquisition and Involuntary Resettlement

3. Each Project Province shall:

(a) in the selection of sites to carry out works under the Project, take 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) in the event that said works would give rise to Displaced Persons, prior to commencing such works, prepare a resettlement action plan satisfactory to the Bank, in accordance with the policies and procedures in the Resettlement Policy Framework, and thereafter, implement the resettlement action plan so approved by the Bank; and

(c) furnish to the Bank any revisions proposed to be introduced into any of said resettlement action plans in order to achieve its objectives and, thereafter, introduce such revisions into such plans as shall have been agreed with the Bank.

National Minorities

4. Each of Heilongjiang and Hunan:

(a) shall carry out, and cause to be carried out, its respective Multi-Ethnic Groups Development Plan in a manner satisfactory to the Bank and designed to provide meaningful consultation with and informed participation of ethnic minority groups in its Respective Part of the Project, and to ensure that benefits under its Respective Part of the Project are socially and culturally acceptable to such groups.

(b) shall not amend, waive or modify the provisions of said Multi-Ethnic Groups Development Plan without the prior concurrence of the Bank and said national minority communities.

Project Implementation Plan

5. Each Project Province shall:

(a) Carry out, and cause to be carried out, its Respective Part of the Project in accordance with the Project Implementation Plan, acceptable to the Bank, each plan to include:
(i) Criteria and procedures, satisfactory to the Bank, for the selection of Sub-projects and the beneficiaries of said Sub-projects, generally;

(ii) Principles, procedures and schedules, satisfactory to the Bank, for monitoring and evaluation of Project activities, including of the implementation of the Environmental Management Plan, its respective Pest Management Plan, its respective Multi-Ethnic Groups Development Plan, as the case may be, and the Resettlement Policy Framework;

(iii) Financial management procedures, including therein reporting requirements and audit requirements, in accordance with the provisions of Article 3 of this Agreement; and

(iv) Procurement management procedures, including therein procurement procedures and standard documentation in accordance with the provisions of Schedule 1 to this Agreement.

(b) Furnish to the Bank for its prior approval any proposed amendment to the provisions of said Project Implementation Plan and, thereafter, put into effect such amendment as shall have been agreed with the Bank.

Project Annual Work Plan

6. Each Project Province shall:

(a) prepare in accordance with guidelines acceptable to the Bank and, by December 31 of each year (except for the first year, which work plan is due on August 1, 2005) provide to the Bank for its review and comment, an annual work plan for the implementation of its Respective Part of the Project during the following calendar year, said annual work plan to: (i) describe the activities that each Project Province proposes to carry out during said period; and (ii) be accompanied by a financing plan and procurement plan therefor; and

(b) thereafter, carry out its Respective Part of the Project during the following calendar year in accordance with such annual work plan as shall have been agreed with the Bank.
Sub-Projects under Part B of the Project

7. With respect to Part B of the Project, each Project Province shall ensure that the respective Project Province Leading Group shall evaluate and select Sub-project beneficiaries and Sub-projects for financing, all in accordance with the provisions of the Project Implementation Plan, including that:

(a) Each Sub-project may be approved only if the proposed Sub-project and beneficiary satisfy the eligibility criteria set forth in the Project Implementation Plan, including that the Sub-project: (i) must have a clear potential to serve as a model for innovative researcher-company-farmer or researcher-company interactive arrangements; (ii) must be characterized by high and innovative technology content; and (iii) demonstrate that the private sector would not undertake the investment without the support of the Project. Additionally, a Sub-project shall not be approved if the proposal: (i) consists of purely commercial activities (specifically, the creation or expansion of agro-processing facilities), without any demonstrated public good benefit; (ii) supports dairy processing; or (iii) supports large-scale feed lots.

(b) In respect of each Sub-project the relevant Project Province shall obtain, by written contract with the Sub-project beneficiary, or by other appropriate legal means, rights adequate to protect the interests of such Project Province, the Borrower and the Bank, including that each Sub-project beneficiary shall undertake to:

(i) carry out its Sub-project with due diligence and efficiency, in accordance with sound financial and technical practices and consistent with social, environmental and agricultural standards acceptable to the Bank, including appropriate environmental mitigation and social protection measures as set forth in the Environmental Management Plan, the Pest Management Plan, the Multi-Ethnic Groups Development Plans and the Resettlement Policy Framework;

(ii) provide promptly, as needed, resources required for the purposes of the Sub-project;

(iii) maintain adequate records and accounts;

(iv) use the works, goods and services procured for the Sub-project exclusively in the carrying out of such Sub-project;

(v) enable Each Project Province, as the case may be, the Borrower and the Bank to inspect the goods and sites included in the Sub-project and any relevant records, accounts and documents;
(vi) provide all such information as each Project Province, as the case may be, the Borrower or the Bank may reasonably request regarding the management, operations and financial condition of the Sub-project beneficiary;

(vii) with respect to a Sub-project beneficiary that is an enterprise, to provide the Bank, upon the Bank’s request, a copy of the then current year financial statement, record or accounts of said enterprise; and

(viii) with respect to agricultural technologies involved in the Sub-project, ensure that the Borrower’s laws and regulations on patent and copyrights are complied with.

(c) The respective Project Province shall suspend or terminate the eligibility of the Sub-project beneficiary to receive the proceeds of the Loan, if such beneficiary fails to perform its obligations under its contract with the Project Province; and

(d) The respective Project Province shall exercise their rights in respect of each Sub-project in such manner as to protect the interests of the Project Province, the Borrower and the Bank, and to achieve the purpose of said Sub-project.

Monitoring and Reporting

8. Each Project 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 its Respective Part 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 August 31, 2007, 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 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 said Part of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, 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 Bank’s views on the matter.