

CONFORMED COPY

LOAN NUMBER 4309 CHA

Project Agreement

(State Farms Commercialization Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CHINA TRUST AND INVESTMENT CORPORATION FOR ECONOMIC DEVELOPMENT

Dated June 12, 1998

LOAN NUMBER 4309 CHA

PROJECT AGREEMENT

AGREEMENT, dated June 12, 1998, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and CHINA TRUST AND INVESTMENT CORPORATION FOR ECONOMIC DEVELOPMENT (CTICED).

WHEREAS (A) by the Loan Agreement of even date herewith between People's Republic of China (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to one hundred fifty million dollars (\$150,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that CTICED agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and CTICED, the proceeds of the loan provided for under the Loan Agreement will be made available to CTICED on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS CTICED, 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 and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project;  
Management and Operations of CTICED

Section 2.01. (a) CTICED 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 and conduct its operations and affairs, in accordance with sound financial standards and practices, with qualified and experienced management and in accordance with the CTICED Basic Documents, 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 CTICED shall otherwise agree, CTICED shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. 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 2 to this Agreement.

Section 2.03. (a) CTICED 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 9.08 of the General Conditions, and without limitation thereto, CTICED shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Borrower not later than four months after the Closing Date (or such later date as may be agreed for this purpose between the Bank and CTICED) for incorporation into the report to be furnished by the Borrower to the Bank pursuant to Section 3.04 of the Loan Agreement, a plan for the future operation of the Sub-projects and for the continued achievement of the objectives of Part B of the Project; and

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

Section 2.04. CTICED shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, CTICED shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) CTICED shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) CTICED 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 the Loan, or the performance by CTICED of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) CTICED shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the carrying out of the Project and each Sub-project.

(b) CTICED shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year 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 months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited and (B) an opinion on such financial statements, records and accounts and a report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

(c) Without limitation upon the foregoing and except as the Bank may otherwise agree, CTICED shall prepare and furnish to the Bank quarterly reports of such scope and in such detail as the Bank may reasonably request, not later than one month after the end of each calendar quarter, setting forth: (i) its unaudited financial statements for the calendar year in which said calendar quarter occurs (including the financial ratios referred to in Section 3.02 of this Agreement as at the end of said calendar quarter), (ii) Sub-loan approvals made by CTICED and disbursements made by CTICED under Sub-loans during said calendar quarter and (iii) arrears and collection rates under loans made by CTICED, for the two preceding calendar quarters, including a separate report on these matters in respect of Sub-loans.

Section 3.02. (a) Except as the Bank shall otherwise agree, CTICED shall maintain: (i) a ratio of current assets to current liabilities of not less than 1.2 to 1; (ii) a ratio of arrears to loan portfolio of not more than 15%; (iii) a ratio of equity to risk weighted assets of not less than 8%; and (iv) a ratio of equity investments to equity of not more than 30%.

(b) Before July 31, in each of its fiscal years, CTICED shall, on the basis of forecasts prepared by it and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) of this Section in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that CTICED would not meet any of the requirements set forth in paragraph (a) of this Section, for its fiscal years covered by such review, or if any of the quarterly reports furnished by CTICED pursuant to Section 3.01(c) of this Agreement shows that CTICED would not meet any of said requirements for the quarter next following the quarter under review, CTICED shall promptly take all necessary measures (including, without limitation, adjustments of the levels of its deposits, of the levels of its lending or of the structure or levels of its interest rates and other financial charges) in order to meet such requirements.

(d) For the purposes of this Section:

(i) the term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year, but excluding assets related to entrusted operations;

(ii) the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends, but excluding liabilities related to entrusted operations;

(iii) the term "arrears" means the total amount of principal and interest due and payable under loans made by CTICED which remains uncollected from time to time;

(iv) the term "loan portfolio" means the sum of the total principal amount of loans made by CTICED outstanding from time to time and the total amount of interest and other charges due and payable under said loans which remains uncollected from time to time;

(v) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of CTICED not allocated to cover specific liabilities;

(vi) the term "risk weighted assets" means the total amount of all assets of CTICED weighted with regard to the expected risk of each such asset, in accordance with guidelines acceptable to the Bank; and

(vii) whenever, for the purposes of this Section, it shall be necessary to value, in terms of Renminbi, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

#### 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 CTICED thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify CTICED thereof.

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 Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For CTICED:

China Trust and Investment Corporation  
for Economic Development  
No. 2 Building, Xindadu Hotel  
Beijing, 100044  
People's Republic of China

Telex:

221068 TICED CN

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CTICED may be taken or executed by its President or such other person or persons as said President shall designate in writing, and CTICED shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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 BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Sven Sandstrom

Authorized Representative

CHINA TRUST AND INVESTMENT CORPORATION  
FOR ECONOMIC DEVELOPMENT

By /s/ Li Zhaoxing

Authorized Representative

#### SCHEDULE 1

#### Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 2.01(b) of this Agreement.

- I. Project Management
- A. Appraisal and Supervision of Sub-loans

In order to ensure the proper implementation of the Project, CTICED shall maintain throughout the period of Project implementation, with functions, composition and resources acceptable to the Bank, a department to be responsible for appraisal and supervision of Sub-loans.

B. Environmental Audits

1. In order to ensure that Sub-projects are implemented in accordance with appropriate health, safety and environmental practices, CTICED shall undertake an annual environmental audit of selected Sub-projects.

2. In order to assist CTICED in carrying out such audits, CTICED shall employ not later than March 1, 1999, environmental experts, whose terms of reference, qualifications and experience shall be acceptable to the Bank.

3. CTICED shall: (a) furnish to the Bank not later than December 31 of each fiscal year the report prepared by said experts on the audits performed by said experts during said year, together with CTICED's recommendations based on said report; and (b) afford the Bank a reasonable opportunity to exchange views with CTICED on each said report.

II. Part A of the Project (Sub-loans)

A. General

CTICED shall:

1. make Sub-loans to Beneficiaries in accordance with policies and procedures acceptable to the Bank and on the terms and conditions set forth below in Part B of this Section II;

2. exercise its rights in relation to each Sub-loan in such manner as to protect its interests and the interests of the Borrower and of the Bank, comply with its obligations under the Subsidiary Loan Agreement and achieve the purpose of the Project; and

3. not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without the prior approval of the Bank.

B. Terms and Conditions of Sub-loans

For the purposes of Part A.1 of this Section II, Sub-loans shall be made in accordance with the following provisions.

1. Eligibility Criteria

State Farm Enterprise Eligibility Criteria

(a) Each Sub-loan shall be made to a State Farm Enterprise, which shall have established to the satisfaction of CTICED, on the basis of guidelines satisfactory to the Bank that:

(i) it is an entity possessing legal person status;

(ii) it has been engaged in operations similar to those proposed under the Sub-project or has made suitable arrangements to obtain the expertise required to engage in said operations;

(iii) it is creditworthy, it has a sound financial structure, and its financial performance (or, in the case of a new enterprise, the financial performance of its owners) for the three years preceding its application for a Sub-loan has been satisfactory;

(iv) it is able and has undertaken to (A) contribute at least 30% of the total estimated cost of the Sub-project in the form of equity and (B) maintain a ratio of debt to equity that will not

exceed 4 to 1;

(v) it has the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the implementation and environmental management of the Sub-project which it proposes to carry out;

(vi) in the case of an existing enterprise, it has prepared and undertaken to implement a suitable restructuring program designed to improve the efficiency with which it carries on its operations, such program to focus on its corporate and management structure and its policies with respect to employee benefits; and

(vii) if the State Farm Enterprise requires access to proprietary technology in order to carry out the Sub-project, it has made appropriate arrangements to obtain such technology.

#### Sub-project Eligibility Criteria

(b) Each Sub-loan to a State Farm Enterprise shall be made for a Sub-project which CTICED shall have determined, on the basis of an appraisal (including an environmental assessment) carried out in accordance with guidelines acceptable to the Bank:

(i) is technically feasible and economically and financially and commercially viable, and involves no investments in the tobacco industry or urban real estate;

(ii) is estimated to generate fixed assets that will not exceed 2 times the existing total fixed assets of the State Farm Enterprise (or, in the case of a new enterprise, of its owners); and

(iii) is in compliance with environmental standards satisfactory to the Bank, and with all applicable laws and regulations of the Borrower relating to health, safety and environmental protection, and, without limitation on the foregoing: (A) has been developed in accordance with the recommendations of such environmental impact assessment thereon as shall have been approved by the environmental protection bureau responsible for the locality in which the Sub-project is located; and (B) if the Sub-project would involve the involuntary resettlement of persons, includes a resettlement plan for all said persons, which (1) has been designed, on the basis of policies, planning principles, institutional arrangements and design criteria acceptable to the Bank, to improve the living standards of said persons and (2) if said resettlement plan would involve resettlement of 200 persons or more, has been approved by the Bank.

#### Maximum Sub-loan Size

(c) The total amount outstanding from time to time of all Sub-loans to any one State Farm Enterprise shall not exceed \$20,000,000 equivalent.

(d) The total amount of all Sub-loans for any one Sub-project shall not exceed the lesser of: (i) 50% of the total estimated cost of the Sub-project; and (ii) 100% of the total estimated cost of the Sub-project (exclusive of the cost of land and taxes).

## 2. Terms

(a) Each Sub-loan shall be denominated in Dollars or Renminbi or both. The principal amount of each Sub-loan shall be the equivalent in the currency of denomination (determined on the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out, on account of the cost of goods and services for the Sub-project for which said Sub-loan is made, and shall be repaid over a period not

to exceed seven years, inclusive of a grace period not to exceed two years.

(b) Each Sub-loan shall be charged interest: (i) on the principal amount thereof denominated in Dollars and withdrawn and outstanding from time to time at an annual rate not less than the sum of (A) the rate of interest payable by CTICED pursuant to Part B.1(b) of Schedule 4 to the Loan Agreement plus (B) 2.4%; and (ii) on the principal amount thereof denominated in Renminbi and withdrawn and outstanding from time to time at an annual rate equal to the annual rate charged by CTICED for loans of similar maturity at the time the Sub-loan is approved by CTICED.

### 3. Sub-project Implementation

(a) Each Sub-loan for a Sub-project shall be made on conditions whereby the State Farm Enterprise carrying out said Sub-project shall undertake:

(i) to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economical, financial and commercial practices and appropriate health, safety and environmental practices acceptable to the Bank, maintain adequate records and provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(ii) if the Sub-project involves the involuntary resettlement of persons, to take and cause to be taken all measures necessary to ensure that all such persons shall be resettled in accordance with the resettlement plan referred to above in Part B.1(b)(iii)(B) of this Section II;

(iii) to procure the goods and services required for the Sub-project and to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 2 to this Agreement, and utilize such goods and services exclusively in the carrying out of the Sub-project;

(iv) to enable the Bank to inspect the goods, sites, works and plans included in the Sub-project, the operation thereof, and any relevant records and documents;

(v) to take out and maintain such insurance against such risks and in such amounts, as shall be consistent with sound business practice, including insurance to cover the hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the State Farm Enterprise to replace or repair such goods;

(vi) to: (A) maintain records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition, including separate records and accounts adequate to monitor and record the progress of the Sub-project; (B) have its records, accounts and financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; and (C) furnish to CTICED (and, if so requested by the Bank, to the Bank), as soon as available, but in any case not later than six months after the end of each such year, certified copies of its financial statements for such year as so audited, and the report of such audit by said auditors, of such scope and in such detail as CTICED (or the Bank) shall have reasonably requested; and

(vii) to provide such information as the Bank or CTICED shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the State Farm Enterprise and to the benefits to be derived from the Sub-project.

(b) CTICED shall suspend or terminate the right of the State Farm Enterprise to the use of the proceeds of the Loan upon failure by such State Farm Enterprise to



perform its obligations under its contract with CTICED.

#### 4. Procedures for Approval of Sub-loans

(a) No expenditures for goods or services required for a Sub-project shall be eligible for financing out of the proceeds of a Sub-loan unless:

(i) the Sub-loan for such Sub-project shall have been approved by the Bank, and such expenditures shall have been made not earlier than 180 days prior to the date on which the Bank shall have received the application and information required under paragraph (b) below of this Section 4 in respect of such Sub-loan; or

(ii) the Sub-loan for such Sub-project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account, and such expenditures shall have been made not earlier than 180 days prior to the date on which the Bank shall have received the request and information required under paragraph (c) below of this Section 4 in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan for a Sub-project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$5,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan, which have been or are being used for financing goods and services directly and materially related to such Sub-project, the foregoing amount being subject to change from time to time as determined by the Bank. Notwithstanding the foregoing, the first five Sub-loans proposed to be made by CTICED under the Project, as well as the first two Sub-loans proposed to be made by CTICED in any fiscal year, shall not be deemed to be a free-limit Sub-loan.

(b) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, CTICED shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the State Farm Enterprise and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(c) Each request for authorization to make withdrawals in respect of a free-limit Sub-loan shall contain (i) a summary description of the State Farm Enterprise and the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan, and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan.

(d) Applications and requests made pursuant to the provisions of paragraphs (b) and (c) above of this Section 4 shall be presented to the Bank on or before June 30, 2002.

#### III. Part B of the Project (Institutional Development)

CTICED shall carry out Part B of the Project in accordance with a technical assistance program acceptable to the Bank. In order to ensure the proper implementation of said plan, CTICED shall:

A. prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than September 1, 1998, a time-bound implementation plan for said program; and

B. thereafter, promptly carry out such implementation plan as shall have been approved by the Bank.

#### IV. Monitoring and Reporting

CTICED 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, annual reports not later than March 31 of each calendar year, integrating the results of the monitoring and evaluation activities performed pursuant to Part A above of this Section, on the progress achieved in the carrying out of the Project during the preceding calendar year 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 year; and

C. afford the Bank a reasonable opportunity to review with CTICED, each report referred to in Part B above of this Section, and, thereafter, take all measures required to ensure the efficient carrying out of the Project during the then current calendar year 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.

## SCHEDULE 2

### Procurement and Consultants' Services

#### 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 this Section, as applicable.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

###### (a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$5,000,000 equivalent or more each.

###### (b) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works carried out by domestic contractors.

###### (c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

##### Part C: Other Procurement Procedures

###### 1. Works

###### (a) National Competitive Bidding

Except as provided in Part C.1(b) of this Section I, works estimated to cost less than \$10,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Procurement of Small Works

Works estimated to cost less than \$5,000,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of comparison of price quotations obtained from three 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 Bank, 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.

2. Goods

(a) Shopping

Except as provided in Part C.2(b) of this Section I, goods estimated to cost less than \$5,000,000 equivalent per contract may be procured under fixed-price contracts awarded on the basis of comparison of price quotations obtained from three qualified suppliers in response to a written request for quotations. The request shall include a detailed description of the goods, including specifications, the quantity of goods requested, the required time and place of delivery and a basic form of contract or purchase order acceptable to the Bank. The award shall be made to the supplier who offers the lowest price quotation for the goods, and who has the experience and resources to complete the contract successfully, as determined on the basis of evaluation criteria acceptable to the Bank.

(b) Direct Contracting

Goods which should be procured as an extension of an existing contract or must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature may, with the Bank's prior agreement, be procured under contracts awarded on the basis of direct negotiations with the supplier of such goods, and under terms and conditions acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract to be awarded in accordance with the direct contracting procedures set forth in Part C.2(b) of this Section I, the following procedures shall apply:

(i) prior to the execution of any such contract, CTICED shall provide to the Bank a copy of the specifications and the draft contract; and

(ii) 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 this Section.

Part B: Quality- and Cost-based Selection

1. 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. Single Source Selection

Services under Part B of the Project may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines 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 Bank 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 Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to (i) each contract for the employment of consulting firms under Part A of the Project estimated to cost the equivalent of \$100,000 or more, and (ii) each contract for the employment of consulting firms for Part B of the Project, regardless of the cost thereof, the procedures set forth in paragraphs 1, 2 (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 Bank 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.



