

CONFORMED COPY

LOAN NUMBER 4600 CHA

Project Agreement

(Shijiazhuang Urban Transport Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

MUNICIPALITY OF SHIJIAZHUANG

Dated October 29, 2001

LOAN NUMBER 4600 CHA

PROJECT AGREEMENT

AGREEMENT, dated October 29, 2001, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and MUNICIPALITY OF SHIJIAZHUANG (Shijiazhuang).

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 million Dollars (\$100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Shijiazhuang agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Shijiazhuang, 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) Shijiazhuang 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, management, financial, engineering and environmental practices, and shall provide, 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 Shijiazhuang shall otherwise agree, Shijiazhuang 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 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.

Section 2.03. (a) Shijiazhuang 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 the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Shijiazhuang 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 Shijiazhuang, a plan designed to ensure the continued achievement of the objectives of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with Shijiazhuang on said plan.

Section 2.04. (a) Shijiazhuang 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) Shijiazhuang 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 Shijiazhuang of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Shijiazhuang 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 Shijiazhuang responsible for carrying out the Project or any part thereof.

(b) Shijiazhuang 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 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 the 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 and accounts and the audit thereof as the Bank 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 Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Shijiazhuang thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Shijiazhuang 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 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 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

477-6391

Washington, D.C.

Telex:

248423 (MCI) or

64145 (MCI)

Facsimile:

(1-202)

For Shijiazhuang:

People's Government of Shijiazhuang
216 Zhongshan Road
Shijiazhuang 050011, Hebei Province
People's Republic of China

Facsimile:

(86-311) 681

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 Shijiazhuang may be taken or executed by the Mayor or a Vice Mayor of Shijiazhuang or such other person or persons as said Mayor or Vice Mayor shall designate in writing, and said Mayor or Vice Mayor 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/ Yukon Huang

Authorized Representative

MUNICIPALITY OF SHIJIAZHUANG

By /s/ Wang Jinze

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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

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) Prequalification

Bidders for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for works shall be grouped in bid packages

estimated to cost \$10,000,000 equivalent or more each.

(c) 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 to be carried out by domestic contractors (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower and works carried out by contractors from either of said regions).

(d) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(e) 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. National Competitive Bidding

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, and (b) works estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$42,300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

3. Procurement of Small Works

Works for street junction channelization, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$3,400,000 equivalent, may 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 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.

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

With respect to each contract for (a) works estimated to cost the equivalent of \$2,000,000 or more, and (b) goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 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 and January 1999 (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. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$280,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, 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 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 (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.

SCHEDULE 2

Implementation Program

A. Project Management and Coordination

1. Shijiazhuang shall maintain throughout the period of implementation of the Project: (a) the Municipal Project Leading Group, with terms of reference acceptable to the Bank, to provide overall guidance in the implementation of the Project and coordination among all municipal agencies and entities responsible for various aspects of urban transport; and (b) the Shijiazhuang Urban Transport Project Office, with terms of reference acceptable to the Bank, headed by a qualified and experienced manager and assisted by competent staff in adequate number, and provided with adequate resources, to manage the implementation of the Project, including procurement and financial management activities, implementation of the Resettlement Action Plan, and monitoring of implementation activities.

2. Shijiazhuang shall, throughout the period of implementation of the Project, ensure that the Municipal Project Leading Group maintain close coordination with the Provincial Project Leading Group established by Hebei.

3. Shijiazhuang shall engage and, throughout the period of implementation of the Project, maintain a team of construction supervision experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, to assist Shijiazhuang in the supervision of the Project.

4. To strengthen the financial management of the Project, Shijiazhuang shall (a) prepare and put into effect a financial management manual satisfactory to the Bank, and (b) ensure that appropriate training is provided to the personnel of all municipal agencies responsible for the implementation of the Project or any part thereof in the application of said manual.

B. Project Implementation

1. Shijiazhuang shall carry out the Environmental Management Plan in a manner designed to ensure that the Project is implemented in accordance with sound environmental practices and standards.

2. Shijiazhuang shall carry out the Resettlement Action Plan in a manner designed to: (a) 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; and (b) maintain or improve the living standards and production levels of all persons who suffer such involuntary loss as a result of any works to be carried out under the Project.

3. Shijiazhuang shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Environmental Management Plan and the Resettlement Action Plan and the achievement of their respective objectives, including the engagement of experienced and qualified independent monitoring agencies acceptable to the Bank; (b) include the results of such monitoring and evaluation activities in each report to be prepared by it and furnished to the Bank pursuant to paragraph C (2) of this Schedule, together with any revisions proposed to be introduced into such plans in order to

achieve their respective objectives; and (c) introduce such revisions into such plans as shall have been agreed with the Bank.

4. In respect of Part B of the Project, for purposes of improving traffic management and enhancing traffic safety, Shijiazhuang shall:

(a) by September 30, 2002, complete the first phase of its program of traffic management works in a manner satisfactory to the Bank;

(b) (i) carry out, under terms of reference acceptable to the Bank, the parking management and control study included in Part B.3 (b) of the Project, and complete the same not later than December 31, 2002; (ii) promptly upon completion of such study, furnish to the Bank a copy thereof for its review and comments; and (iii) thereafter, implement the recommendations of said study, taking into consideration the Bank's view thereon;

(c) (i) carry out, under terms of reference acceptable to the Bank, the road safety study included in Part B.3 (c) of the Project, and complete the same not later than June 30, 2003; (ii) promptly upon completion of such study, furnish to the Bank a copy thereof for its review and comments; and (iii) thereafter, implement the recommendations of said study taking into consideration the Bank's view thereon; and

(d) (i) carry out, under terms of reference acceptable to the Bank, a study on the establishment of an Area Traffic Control System, including institutional arrangements necessary to implement and manage said system, and complete the same not later than March 31, 2002; (ii) promptly upon completion of such study, furnish to the Bank a copy thereof for its review and comment; and (iii) thereafter, implement the recommendations of said study, taking into consideration the Bank's view thereon, and establish the institutional arrangement for the management of the Area Traffic Control System by no later than December 31, 2002.

5. In respect of Part C of the Project, for purposes of improving the provision of public transport services, Shijiazhuang shall:

(a) (i) carry out, under terms of reference acceptable to the Bank, a study on the establishment of a bus priority facility along Zongshan Road, and complete the same not later than June 30, 2002; (ii) promptly upon completion of such study, furnish to the Bank a copy thereof for its review and comments; and (iii) thereafter, implement the recommendations of said study, taking into consideration the Bank's view thereon, and establish the Zhongshan Road bus priority facility by no later than March 31, 2003;

(b) (i) carry out, under terms of reference acceptable to the Bank, a bus route development and priority study included in Part C.2, and complete the same not later than June 30, 2003; (ii) promptly upon completion of such study, furnish to the Bank a copy thereof for its review and comments; and (iii) thereafter, implement the recommendations of said study taking into consideration the Bank's view thereon;

(c) (i) undertake a review of the regulatory and operational functions of the Shijiazhuang Public Transport Company in regard to bus transport with a view to formulating by no later than June 30, 2002 plans for the separation of said functions; (ii) promptly upon completion of such plans, furnish to the Bank a copy thereof for its review and comments; and (iii) thereafter, take all necessary action to implement the recommendations of said plans, taking into consideration the Bank's view thereon; and

(d) (i) complete a draft regulatory framework for the franchising of bus operations and complete the same not later than June 30, 2002; (ii) promptly upon completion of such framework, furnish to the Bank a copy thereof for its review and comments; and (iii) thereafter, take all necessary actions to establish said regulatory framework, taking into consideration the Bank's view thereon.

6. In respect of Part D of the Project, for purposes of improving the maintenance of the road system, Shijiazhuang shall: (a) carry out, under terms of reference acceptable to the Bank, a road maintenance study, and complete the same not later than June 30, 2002; (b) promptly upon completion of such study, furnish to the Bank a copy

thereof for its review and comments; and (c) thereafter, implement the recommendations of said study, taking into consideration the Bank's view thereon.

C. Monitoring and Reporting

1. Shijiazhuang shall 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 Project and the achievement of the objectives thereof.

2. Shijiazhuang shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, quarterly progress reports, not later than January 31, April 30, July 31, and October 31 in each calendar year, commencing October 31, 2001, said reports to:

(a) summarize the results of such monitoring and evaluation activities performed pursuant to paragraph C (1) above, on the progress achieved in the carrying out of the Project during the preceding calendar quarter (or in the case of the last such report furnished for each calendar year, during the preceding four calendar quarters);

(b) set forth physical and financial progress in the implementation of the Project, both cumulatively and in respect of the period under review; and

(c) set out any additional measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

3. After furnishing each such report, Shijiazhuang shall review the same with the Borrower and the Bank and, thereafter, 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 the said report and the Bank's views on the matter.

