

**CONFORMED COPY**

**LOAN NUMBER 4663 CHA**

# **Project Agreement**

**(Inner Mongolia Highway Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**INNER MONGOLIA AUTONOMOUS REGION**

**Dated August 20, 2002**

**LOAN NUMBER 4663 CHA**

**PROJECT AGREEMENT**

AGREEMENT, dated August 20, 2002, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and INNER MONGOLIA AUTONOMOUS REGION (IMAR).

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

WHEREAS IMAR, 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) IMAR 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 IMAR shall otherwise agree, IMAR 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) IMAR 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.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, IMAR 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 IMAR, a plan for the future operation of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with IMAR on said plan.

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

### **ARTICLE III**

#### **Financial Covenants**

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

(b) IMAR shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year 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, 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 such records and accounts as well as the audit thereof, as the Bank may from time to time reasonably request.

Section 3.02. (a) Without limitation upon IMAR's progress reporting obligations set out in Part C of Schedule 2 to this Agreement, IMAR 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 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 management report 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 management 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 IMAR thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify IMAR 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, 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:

INTBAFRAD

248423 (MCI) or

(202) 477-

6391

Washington, D.C.

64145 (MCI)

For IMAR:

People's Government of Inner Mongolia Autonomous Region  
No. 1 Xinhua Street  
Huhhot, Inner Mongolia  
People's Republic of China

Facsimile:

86471-6968128

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 IMAR may be taken or executed by the Governor or any Vice Governor of IMAR or such other person or persons as such Governor or Vice Governor shall designate in writing, and IMAR 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

INNER MONGOLIA AUTONOMOUS REGION

By /s/ Zou Jiayi

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 other than for the highway construction under Part A.1 of the Project 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, including electrical and mechanical works under Part A.1(c) of the Project, to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works under Part A.1(a) shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods

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 (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).

(c) 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.



(d) 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

Works, other than works under Part A.1(a) of the Project, estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$65,300,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Road maintenance equipment and laboratory equipment estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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: (a) each contract for civil works estimated to cost the equivalent of \$2,000,000 or more; and (b) each contract for 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. Consultants' Qualifications

Services estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed \$300,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, 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.

3. Individual Consultants

Services which are estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent may 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. Implementation of the Project**

1. IMAR shall, by June 30, 2005, complete and furnish to the Bank for its review and comments an analysis of and recommendations on the structure of toll-rates on the Laoyemiao-Jining Highway, taking into consideration: (a) the results of studies on toll-rate structures under other Bank-financed highway projects in China (including: Second Jiangxi Highway Project, Loan No. 4608-CHA; Guangxi Highway Project, Loan No. 4541-CHA; and Third Henan Provincial Highway, Loan No. 4548-CHA); and (b) experience with toll rates on major roads in China.

2. In respect of the program for Highway Network Improvement under Part B of the Project, IMAR shall prepare and, by May 15 of each year, starting in 2003, through the second year following completion of said program, furnish to the Bank an annual monitoring report, in form and content satisfactory to the Bank, of the implementation activities during the preceding twelve calendar months.

3. By December 31, 2005, IMAR shall complete the highway safety program under Part C of the Project, in accordance with an implementation schedule satisfactory to the Bank.

4. IMAR shall: (a) carry out the training under Part D of the Project in accordance with a training program acceptable to the Bank; and to that end (b) by November 15 of each year, commencing in 2002, prepare and furnish to the Bank an annual institutional strengthening and training report in form and content satisfactory to the Bank covering progress in implementing the IMCD maintenance reform program and training, including a training schedule for the future year and a description of the training carried out during the year of the report.

#### **B. Environmental Protection - Land Acquisition and Resettlement**

1. IMAR shall carry out the EAPs in a manner designed to ensure that the Project is implemented in accordance with sound environmental practices and standards.

2. IMAR shall: (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) carry out the RAP in a manner designed to at least maintain pre-Project levels, or improve the living standards, income earning capacity and production levels of the Affected Persons.

3. IMAR 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 EAPs and RAP 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 4 of this Part B, 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. IMAR shall under terms of reference acceptable to the Bank:

(a) prepare and furnish to the Bank: (i) an annual environmental report, by February 15 of each year starting in 2004 through 2008; and (ii) by May 15 and November 15 of each year, commencing on May 15, 2003 through the second year following completion of the Project, an internal monitoring report of the resettlement implementation activities and the results thereof during the immediately preceding six-months period; and

(b) cause to be prepared by an independent entity acceptable to the Bank, and furnished to the Bank by February 15 and August 15 of each year, commencing on February 15, 2003 through the second year following completion of resettlement activities under the Project, an external monitoring report on the resettlement implementation activities and the results thereof during the same six-months period as referred to in sub-paragraph (a)(ii) of this paragraph 4.

C. Monitoring and Reporting

1. IMAR shall 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.

2. For purposes of carrying out of Part A.1 of the Project, IMAR shall prepare, and provide to the Bank a monthly progress report in form and content

satisfactory to the Bank on the civil works for the Laoyemiao-Jining Highway, the initial report to be provided by March 15, 2003.

3. IMAR shall prepare, and furnish to the Bank, the following reports in form and content satisfactory to the Bank:

(a) quarterly reports by February 15, May 15, August 15, and November 15 of each calendar year starting May 15, 2003, which reports: (i) set out physical progress in the implementation of the Project, both cumulatively, and in respect of said preceding calendar quarter, and explain variances between the actual and planned Project implementation; (ii) set forth the status of procurement under the Project as at the end of the period covered by said report; and

(b) an annual report by February 15 of each year, commencing in 2004 through 2007, which: (i) integrates the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section C, on the progress achieved in the carrying out of the Project during the preceding year; and (ii) sets out any measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the immediately succeeding year.

4. After furnishing to the Bank each report referred to in paragraph 3 above, IMAR shall 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.