

CONFORMED COPY

LOAN NUMBER 4590 CHA

Project Agreement
(Urumqi Urban Transport Improvement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

URUMQI MUNICIPALITY

Dated February 9, 2001

LOAN NUMBER 4590 CHA

PROJECT AGREEMENT

AGREEMENT, dated February 9, 2001, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and URUMQI MUNICIPALITY (Urumqi).

WHEREAS 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 Urumqi agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS Urumqi, 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) Urumqi 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, management, 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 Urumqi shall otherwise agree, Urumqi 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) Urumqi 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, Urumqi shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than 6 months after the Closing Date or such later date as may be agreed for this purpose between the Bank and Urumqi, a plan for the future operation of the Project; and

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

Section 2.04. (a) Urumqi 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 other matters relating to the purposes of the Loan.

(b) Urumqi 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 Urumqi of its obligations under this Agreement.

ARTICLE III

Financial Covenants

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

(b) Urumqi 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 Urumqi thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Urumqi 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 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

(1-202) 477-6391

Washington, D.C. 64145 (MCI)

For Urumqi:

Urumqi People's Government
No. 30 Guangming Road
Urumqi 830002
Xinjiang Uygur Autonomous Region
People's Republic of China

Facsimile:

(86-991) 46 15 901

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 Urumqi, may be taken or executed by the Mayor or a Vice Mayor of Urumqi 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

URUMQI MUNICIPALITY

By /s/ Zhu Guangyao

Authorized Representative

SCHEDULE 1

Implementation Program

A. Project Management and Coordination

1. Urumqi shall maintain throughout the period of Project implementation: (a) the Municipal Project Leading Group, with terms of reference acceptable to the Bank, responsible for the coordination among all municipal entities in regard to the implementation of the Project; and (b) the Project Executive 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 responsible for management of the Project, including procurement activities, construction supervision, implementation of the Resettlement Action Plan and the Environmental Action Plan, monitoring and reporting on the implementation of the Project.

2. Urumqi shall, throughout the period of Project implementation, ensure that the

Municipal Project Leading Group maintain close coordination with the Regional Project Leading Group.

3. In order to assist Urumqi in the supervision of the Project, Urumqi shall continue to employ throughout the period of Project implementation a team of construction supervision experts, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

B. Project Implementation

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

2. Urumqi 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. Urumqi 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 Action Plan and Resettlement Action Plan and the achievement of their respective objectives; (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. For the purpose of developing and implementing a strategy to improve the management, budgeting, operating efficiency and service delivery of road maintenance, Urumqi shall, on the basis of terms of reference acceptable to the Bank:

(a) carry out the road maintenance management studies included in Part A(3)(a) of the Project and complete the same not later than March 31, 2003;

(b) promptly upon the completion of such studies, furnish to the Bank a copy of such studies, together with Urumqi's recommendations based thereon and, thereafter, implement such recommendations taking into consideration the Bank's view thereon; and

(c) prepare and furnish to the Bank by no later than April 15 of each year starting in 2001, a report on annual road maintenance expenditures, said report to indicate: (i) the length of each class of road according to their condition as of December 31 of the preceding calendar year; (ii) the completed physical works and actual expenditures during such preceding year with respect to new construction, upgrading, improvement, rehabilitation, periodic and routine maintenance, against the planned physical targets and budgeted expenditures; and (iii) the targets for the current calendar year in respect of physical works and expenditures.

5. Urumqi shall: (a) carry out, under terms of reference acceptable to the Bank, the parking study included in Part B(3)(a) of the Project and complete the same not later than September 30, 2002; (b) promptly upon the completion of such study, furnish to the Bank a copy thereof, together with Urumqi's recommendations based thereon; and (c) thereafter implement such recommendations taking into consideration the Bank's view thereon.

6. Urumqi shall: (a) carry out, under terms of reference acceptable to the Bank, the road accident analysis included in Part B(4)(a) of the Project and complete the same not later than September 30, 2002; (b) promptly upon the conclusion of such study, prepare and furnish to the Bank a report on the results thereof, together with

Urumqi's recommendations based thereon; and (c) thereafter implement such recommendations taking into consideration the Bank's view thereon.

7. For purposes of improving the operating efficiency and service delivery of the public transport sector under Part C of the Project, Urumqi shall:

(a) carry out, under terms of reference acceptable to the Bank, the UPTC corporate planning and reform study included in Part C(1)(a) of the Project and complete the same not later than September 30, 2002;

(b) promptly upon the completion of such study, furnish to the Bank a copy of such study, together with Urumqi's recommendations based thereon;

(c) thereafter implement, and cause UPTC to implement, such recommendations taking into consideration the Bank's view thereon;

(d) carry out, under terms of reference acceptable to the Bank, the studies on the bus network and service capacity and on bus priority measures included in Part C(2)(b) of the Project, and complete such studies not later than September 30, 2002;

(e) promptly upon the completion of such studies, furnish to the Bank copies of such studies, together with Urumqi's recommendations based thereon; and

(f) ensure that the procurement of goods and services under Part C(2)(c) of the Project shall not be initiated unless and until the Bank shall have approved the recommendations referred to in clause (e) above.

8. Urumqi shall: (a) carry out, under terms of reference acceptable to the Bank, the transport network development study included under Part E(2) of the Project and complete the same not later than September 30, 2003; (b) promptly upon completion of such study, furnish to the Bank a copy of such study together with Urumqi's recommendations based thereon; and (c) thereafter, implement the recommendations of such study taking due consideration of the Bank's view thereon.

9. Urumqi shall carry out the training included under Part E(3) of the Project in accordance with a plan acceptable to the Bank.

10. Without limitation upon the provisions of Paragraphs B (1) through (9) above, Urumqi shall take the following measures:

(a) Urumqi shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than September 30 in each calendar year, commencing in 2001 a proposed plan for the implementation of the Project during the following calendar year, said plan: (i) to describe the activities which Urumqi proposes to carry out under the Project during such period, such activities to include, without limitation, training programs and study tours; and (ii) to be accompanied by a financing plan therefor; and

(b) Urumqi shall afford the Bank a reasonable opportunity to exchange views with Urumqi on each such plan, and thereafter, shall carry out the Project during the period covered by such plan in accordance with such plan as shall have been approved by the Bank.

C. Monitoring and Reporting

1. Urumqi 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. Urumqi 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 on April 30, 2001, said reports to:

(a) summarize the results of such monitoring and evaluation activities 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 4 calendar quarters);

(b) set forth physical and financial progress in the implementation of the Project, both cumulatively, and in respect 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 its objectives during such following calendar year.

3. After furnishing each such report, Urumqi 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.

4. By April 1 of each year, or such other date as the Bank shall request, Urumqi shall evaluate with representatives of the Bank the progress in the implementation of its strategies for public transport reform and development, motor vehicle emission control, and road maintenance management.

SCHEDULE 2

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; and contracts for goods shall

be grouped in bid packages estimated to cost \$200,000 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. Works

(a) National Competitive Bidding

Works estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$39,800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Force Account

Works under Parts B(1) and D(2) of the Project which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$3,900,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

2. Goods

(a) National Competitive Bidding

Equipment for the vehicle pollution study center under Part D (3) of the Project estimated to cost less than \$200,000 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 paragraphs 3.3 and 3.4 of the Guidelines.

(b) International Shopping

Equipment for road safety under Part B of the Project estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 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.

(c) National Shopping

(i) Mechanical ventilation equipment to be provided to households under Part A (1) of the Project, and

(ii) bus spare parts under Part C (1) of the Project, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,800,000 equivalent, may be procured under contracts awarded on the basis of national 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 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 the following contracts, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply:

(a) each contract for 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.

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 Procedure for the Selection of Consultants

Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 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 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.

