

CONFORMED COPY

CREDIT NUMBER 2475 CHA

Xinjiang Uyghur (Altai) Project Agreement

(Zhejiang Multicities Development Project-Snow Disaster Recovery)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

XINJIANG UYGHUR AUTONOMOUS REGION

Dated December 6, 2001

CREDIT NUMBER 2475 CHA

XINJIANG UYGHUR (ALTAI) PROJECT AGREEMENT

AGREEMENT, dated December 6, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and XINJIANG UYGHUR AUTONOMOUS REGION (XUAR).

WHEREAS (A) by the Development Credit Agreement dated May 18, 1993 between People's Republic of China (the Borrower) and the Association, the Association agreed to make available to the Borrower an amount in various currencies equivalent to seventy-nine million three hundred thousand Special Drawing Rights (SDR 79,300,000), on the terms and conditions set forth in the Development Credit Agreement to assist in financing of the Zhejiang Multicities Development Project (the Project);

(B) by a letter dated August 2, 2001 the Borrower requested the Association to amend the Development Credit Agreement in order to permit the use of cost savings under the Project to be utilized in the financing of the most urgent needs of areas of the Altai Prefecture of the Borrower's Xinjiang Uyghur Autonomous Region (XUAR) severely affected by drought and snowstorms, and the Association has agreed to amend the Development Credit Agreement on the terms and conditions set forth in an amending letter of even date with this Agreement (the Amendment Agreement), but only on the condition that XUAR agrees to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS XUAR, in consideration of the Association's entering into the Amendment 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 Development Credit Agreement, as amended, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) XUAR declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part H of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, agricultural, engineering and environmental practices, 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 Association and XUAR shall otherwise agree, XUAR shall carry out Part H of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part H of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) XUAR shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 Xinjiang Uyghur (Altai) Project Agreement and Part H of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, XUAR shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and XUAR, a plan for the continued achievement of the objectives of Part H of the Project; and

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

Section 2.04. (a) XUAR shall, at the request of the Association, exchange views with the Association with regard to the progress of Part H of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) XUAR shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part H of the Project, the accomplishment of the purposes of the Credit, or the performance by XUAR of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) XUAR shall maintain records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of Part H of the Project of the departments or agencies of XUAR responsible for carrying out said Part of the Project or any part thereof.

(b) XUAR 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 Association;
- (ii) furnish to the Association 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts and the audit thereof as the Association 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 Amendment Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of XUAR thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify XUAR of this event.

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 Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INDEVAS

248423 (MCI) OR

(1-202) 477-6391

Washington, D.C.

64145 (MCI)

For Xinjiang Uyghur Autonomous Region

Xinjiang Uyghur Autonomous Region Finance Bureau
Minde Ave. No. 16

Urumqi City, Postal code: 830002
Xinjiang Uyghur Autonomous Region
People's Republic of China

Facsimile:

(86) 0991 2810 084

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 XUAR may be taken or executed by its Governor or any Vice Governor or such other person or persons as said Governor or Vice Governor shall designate in writing, and XUAR shall furnish to the Association 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 DEVELOPMENT ASSOCIATION

By /s/ Yukon Huang

Authorized Representative

XINJIANG UYGHUR AUTONOMOUS REGION

By /s/ Ju Kuilin

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) 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 provisions of the following Parts of this Section I.

Part B: Procedures for the Procurement of Goods and Works

1. National Competitive Bidding

Except as provided under paragraphs 2, 3 and 4 of this Part B, goods and works shall 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 \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$390,000 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.

3. Force Account and Community Participation

Works under Parts H.2 and H.3 of the Project, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,050,000 equivalent, (a) which meet the requirements of paragraph 3.8 of the Guidelines, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines, or (b) may be procured in accordance with procedures acceptable to the Association.

4. Procurement of Small Works

Works (a) for the reconstruction of housing structures under Part H.1 of the Project, and (b) under Part H.2 of the Project, estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,620,000 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 Association, 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 C: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) Except as provided in sub-paragraph (b) of this paragraph 2, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: (i) each contract for goods estimated to cost the equivalent of \$100,000 or more and any contract for works estimated to cost the equivalent of \$200,000 or more; and (ii) the first contract for works procured in accordance with paragraph 4 of Part B above and the first contract for goods procured in accordance with paragraph 2 of said Part B.

(b) With respect to each contract referred to in clause (ii) of sub-paragraph (a) of this paragraph 2, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures or the execution of any contract under the procurement procedures for small works, XUAR shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping or procurement of small works procedures, XUAR shall provide to the Association copy of the specifications and the draft contract; and

(iii) 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 C, 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 Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines), and the provisions of the following Parts of this Section II.

Part B: Procedure for the Selection of Consultants

1. Individual Consultants

Services for the review of grassland management and for project impact monitoring and evaluation, up to an aggregate amount not to exceed \$50,000 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 C: Review by the Association 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 Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association 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 C, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. XUAR shall establish and, thereafter throughout the period of implementation of Part H of the Project, maintain within the Recovery Project Areas:

(a) project leading groups at the regional, prefecture, and county and city levels, to provide over all guidance and ensure coordination among the relevant regional agencies in support of the implementation of Part H of the Project, the composition of said project leading groups in all cases to be acceptable to the Association; and

(b) within the animal husbandry bureau at the regional, prefecture city, and county and city levels, project management offices with terms of reference acceptable

to the Association, managed by qualified personnel assisted by competent staff in sufficient numbers, including staff seconded from other line agencies, and provided with adequate resources, to manage the implementation of Part H of the Project at the respective levels; said project management offices to include a financial management and disbursement unit, a procurement unit, and a project management unit.

2. To strengthen the financial management capacity of the project management offices at all levels, XUAR shall:

(a) prepare and adopt a financial management and accounting manual satisfactory to the Association, including delineation of roles and responsibilities for financial management, operating procedures, accounting practices and guidelines for financial data preparation and review; and

(b) carry out training for financial management staff of the project management offices, in accordance with a training program satisfactory to the Association.

3. For purposes of Parts H.1, H.2 and H.3 of the Project, XUAR shall, out of its Respective Part of the proceeds of the Credit, make loans under terms and conditions acceptable to the Association, to eligible beneficiary households selected in accordance with criteria satisfactory to the Association; said terms, conditions and eligibility criteria to include without limitation the following:

(a) the principal amount of the loan shall not exceed Y 15,000;

(b) to be eligible, the beneficiary household must: (i) have an annual income of not more than Y 2,000 per capita; (ii) not be beneficiary of a loan under any other project financed by the Association or International Bank for Reconstruction and Development; (iii) agree to participate in training programs given by the respective project management offices in respect of, inter alia, shed design, construction and maintenance and shed feeding practices, artificial pastures and grassland management, silo construction and maintenance, forage harvesting and processing, and water utilization; and

(c) interest on the loan shall not exceed 1% per annum.

4. XUAR 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 Association, the carrying out of Part H of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 15, June 15, September 15 and December 15 of each year, commencing March 15, 2002, quarterly reports integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 4, on the progress achieved in the carrying out of Part H of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part H of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Association each of the reports referred to in sub-paragraph (b) of this paragraph 4, and, thereafter, take all measures required to ensure the efficient completion of Part H of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of each said report and the Association's views on the matter.

