

CONFORMED COPY

LOAN NUMBER 3787 CHA

Project Agreement
(Xinjiang Provincial Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

XINJIANG-UYGUR AUTONOMOUS REGION

Dated November 11, 1994

LOAN NUMBER 3787 CHA

PROJECT AGREEMENT

AGREEMENT, dated November 11, 1994, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and XINJIANG-UYGUR AUTONOMOUS REGION (XAR).

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 in various currencies equivalent 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 XAR agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS XAR, 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) XAR 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 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 Bank and XAR shall otherwise agree, XAR 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. XAR 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.

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

ARTICLE III

Financial Covenants

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

(b) XAR 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 XAR thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify XAR 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 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

For XAR:

The People's Government
Xinjiang Uygur Autonomous Region
No. 2 Zhongshan Road
Urumqi, Xinjiang 830041
People's Republic of China

Telex:

FAOXJCN 79146

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 XAR may be taken or executed by Governor or Vice-Governor or such other person or persons as Governor or Vice-Governor shall designate in writing, and XAR 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 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/ Nicholas C. Hope

Acting Regional Vice President
East Asia and Pacific

XINJIANG-UYGUR AUTONOMOUS REGION

By /s/ Gong Jinniu

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, XAR shall use the relevant standard bidding documents issued or agreed to by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, XAR shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. Bidders for civil works under Part A.1 of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in China may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part

A.1 hereof, XAR may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Except as provided in paragraph 2 hereof, equipment under Part B of the Project, up to an aggregate amount equivalent to \$2,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Equipment under Part B of the Project, estimated to cost less than the equivalent of \$250,000 per contract, up to an aggregate amount equivalent to \$2,500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Civil works under Part A.2 of the Project, estimated to cost less than the equivalent of \$2,000,000 per contract, up to an aggregate amount equivalent to \$11,400,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

4. Works under Part C.1(c) of the Project, estimated to cost in the aggregate an amount not to exceed the equivalent of \$1,000,000, may be carried out under force account by the personnel of XAR.

Part E: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works, estimated to cost the equivalent of \$2,000,000 or more, and goods, estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist XAR in carrying out the Project, XAR shall employ consultants whose qualifications, experience and terms and conditions of employment shall be

satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, XAR shall employ such consultants under contracts using the standard form of contract for consultants' services issued or agreed to by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, XAR shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

1. XAR shall furnish, or cause to be furnished, to the Bank: (a) promptly upon their preparation, any plans, studies, specifications, construction and procurement schedules, and such other documents evidencing the construction of the Connecting Road; and (b) any records and reports in respect of or relating to the Connecting Road as may be reasonably requested by the Bank.

2. XAR shall: (a) undertake and, by December 31, 1995, complete the study on Xinjiang highway network maintenance, referred to in Part D.2 of the Project, in accordance with terms of reference satisfactory to the Bank; (b) establish a Lead Group, comprising representatives of XCD, PEO/XHAB, to administer the said study and to provide comments on the results and recommendations thereof; (c) by March 31, 1996, furnish the said study together with the comments of the said Lead Group to the Bank for review; and (d) take appropriate steps to implement the said study's recommendations taking into account the comments thereon of the Bank and the said Lead Group.

3. XAR shall: (a) undertake and, by June 30, 1996, complete the study on Xinjiang intercity and rural passenger transport, referred to in Part D.3 of the Project, in accordance with terms of reference satisfactory to the Bank; (b) establish a Review Panel comprising representatives of the Borrower, the Bank and XAR to monitor the said study; (c) by September 30, 1996, furnish the said study to the said Review Panel for review; and (d) take appropriate steps to implement the said study's recommendations taking into account the comments thereon of the said Review Panel.

4. XAR declares its commitment to the preservation of the environment and, to this end, shall carry out the environmental protection measures, management and monitoring in accordance with the Environmental Action Plan, dated November 1993 and prepared by XCD, in respect of the Highway and the Link Roads in a manner satisfactory to the Bank.

5. XAR declares its commitment to the Bank's policy on resettlement, and, to this end, shall carry out: (a) the land acquisition and resettlement activities pursuant to the Resettlement Action Plan, dated December 1993 and prepared by PEO, in respect of the Highway and the Link Roads; and (b) the resettlement monitoring program (aimed at determining the effectiveness and socio-economic impact of each resettlement) set out in the Resettlement Action Plan, in a manner satisfactory to the Bank.

6. XAR shall, by October 31 of each year commencing in 1995, furnish a rolling two year training implementation schedule to the Bank and shall carry out the training under terms of reference and in a manner satisfactory to the Bank.

7. XAR shall undertake and, by April 30, 1998, complete and furnish to the Bank for its review and comments, an analysis and recommendation for the Highway toll rates following the result of the Toll Rate Study for Xiamen-Quanzhou Highway carried out under the Fujian Provincial Highway Project (Loan Number 3681 CHA).

