

CONFORMED COPY

LOAN NUMBER 4421 CHA

Project Agreement

(Anhui Provincial Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

ANHUI PROVINCE

Dated March 11, 1999

LOAN NUMBER 4421 CHA

PROJECT AGREEMENT

AGREEMENT, dated March 11, 1999, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ANHUI PROVINCE (Anhui).

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 two hundred million dollars (\$200,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Anhui agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Anhui, 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) Anhui 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 safety 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 Anhui shall otherwise agree, Anhui 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) Anhui 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 9.08 of the General Conditions and without limitation thereto, Anhui 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 Anhui, a plan for the future operation of the Project; and

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

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

ARTICLE III

Financial Covenants

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

(b) Anhui 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 such 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 Anhui thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Anhui 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, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Anhui Province:

Anhui Provincial
People's Government
221 Changijang Road
Hefei, Anhui 230001
People's Republic of China

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 Anhui may be taken or executed by the Vice Governor of Anhui or such other person or persons as said Vice Governor shall designate in writing, and Anhui 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/ Jean-Michel Severino

Authorized Representative
East Asia and Pacific

ANHUI PROVINCE

By /s/ Li Zhaoxing

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 and September 1997 (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 civil works 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, excluding goods manufactured in Hong Kong Special Administrative Region.

(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 under Parts A.1 (b), A.2 and B of the Project estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$75,000,000 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

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$2,100,000 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 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: (i) works estimated to cost the equivalent of \$4,000,000 or more, and (ii) goods estimated to cost the equivalent of \$250,000 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 (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

1. Single Source Selection

Services for (i) Parts B and C.2 of the Project, and (ii) provision of training under Part C.1 of the Project, which are estimated to cost less than \$100,000 equivalent per contract, 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.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 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 \$200,000 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 consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) 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. Resettlement and Environmental Action Plans

1. Anhui shall: (a) carry out the Expressway RAP, the Expressway EAP and the Highway Maintenance EAPs in a manner satisfactory to the Bank; and (b) furnish any proposed revision of such plans above to the Bank for its prior approval.

2. For each of the highways to be improved or rehabilitated under Part A.2 of the Project which involves substantial widening or land acquisition, Anhui shall:

(a) furnish to the Bank for approval: (1) an environmental action plan, prepared in accordance with the policies and procedures set out in the Highway Maintenance EAPs; and (2) a resettlement action plan prepared in accordance with the policies and procedures set out in the Expressway RAP;

(b) carry out the resettlement and rehabilitation of Affected Persons in accordance with such resettlement action plan as approved by the Bank prior to commencing construction of such highway; and

(c) carry out the environmental mitigation measures set out in such environmental action plan in a manner satisfactory to the Bank.

3. Anhui shall:

(a) 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 plans referred to in paragraph 1 above; and

(b) prepare under terms of reference acceptable to the Bank, and furnish to the Bank: (i) by January 31 of each year, commencing in 2000, an annual environmental monitoring report during the construction phase of the Hefei-Anqing Expressway and for each of the first three years following completion of construction; and (ii) by January 31 and July 31 of each year, starting in July 1999 and until two years after the completion of all resettlement under the Project, internal monitoring reports prepared by appropriate agencies of Anhui, and by April 30 and October 31 of each year, starting in October 1999 and until two years after the completion of all resettlement under the Project, external monitoring reports prepared by an independent agency acceptable to the Bank, in each case regarding the implementation and impact of the resettlement activities during the previous six months.

B. Project Implementation

1. Anhui shall, by March 31, 2002 provide to the Bank for its review and comments, an analysis and recommendation of the structure of toll rates on the Hefei-Anqing Expressway, taking into consideration the results of studies on toll rate structures conducted under other Bank-financed highway projects in China and the experience with toll rates on major roads in Anhui and other parts of China.

2. Anhui shall by March 31 of each year commencing in 2000 through 2005, provide to the Bank for its review and comments, an annual highway maintenance report which shall: (i) indicate the length and condition of each class of roads; (ii) establish targets for the current year including an estimate of the required civil works and the costs thereof; and (iii) measure the results and the actual expenditures of the past year against the targets and the budgeted funds therefor.

3. Under Part B of the Project, Anhui shall, pursuant to terms of reference acceptable to the Bank: (a) by September 30, 2000, complete a study of the factors contributing to highway traffic accidents; and (b) by December 31, 2001, complete an accident black spots improvement program.

4. Anhui shall: (a) by September 30, 2001, complete a study on the planning, financing, management and operation of the toll highway network in Anhui under Part C.2 of the Project, under terms of reference acceptable to the Bank; (b) provide the results and recommendations of said study to the Bank for its review and comments; and (c) thereafter take appropriate steps to implement the recommendations of said study taking into consideration the Bank's comments thereon.

5. Anhui shall: (a) carry out the training under Part C.1 of the Project in accordance with a training program acceptable to the Bank; and (b) to that end, provide to the Bank for its prior approval, by July 31 of each year, commencing in 1999, a rolling two-year training implementation schedule.

C. Monitoring and Reporting

1. Anhui shall:

(a) 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;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank: (i) a monthly report on progress in carrying out construction of the Hefei-Anqing Expressway, by the end of the following month, starting April 30, 1999; (ii) a report covering each calendar quarter, within 45 days from the end of the quarter, starting July 30, 1999; and (iii) an annual report on January 31 of each year starting in 2000, in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph C, on the progress achieved in the carrying out of the Project during the period preceding the date of each such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof

during the period following such date; and

(c) review with the Bank, by March 31 of each year or such later date as the Bank shall request, each report referred to in sub-paragraph (b) (iii) of this paragraph C, and, thereafter, 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.

