

Public Disclosure Authorized

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LOAN NUMBER 7511-CN

Project Agreement

(Anhui Highway Rehabilitation and Improvement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ANHUI PROVINCE

Dated August 8, 2008

PROJECT AGREEMENT

AGREEMENT dated August 8, 2008 entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and ANHUI PROVINCE (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement of same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank (“Loan Agreement”). The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II – PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:
 - (a) carry out the Project in accordance with the provisions of Article V of the General Conditions; and
 - (b) provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is the Governor or Vice Governor of Anhui Province or such other person or persons as such Governor or Vice Governor of Anhui Province designate in writing, and the Project Implementing Entity shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Jinhuan Mansion 528
Tunxi Road
Hefei
Anhui
People's Republic of China

Facsimile:

0551-3623530

AGREED at Beijing, People's Republic of China, as of the day and year first
above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ David Dollar
Authorized Representative

ANHUI PROVINCE

By /s/ Huang Haisong
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

A. Project Management

1. The Project Implementing Entity shall maintain throughout the period of implementation of the Project, within the Office of the Director of the APCD, the PEO responsible for the overall coordination and implementation of the Project, including activities related to environment, resettlement, finance, and administration, headed by a qualified and experienced manager at a Director level, and assigned with such powers, funds and staffing in adequate numbers including a Highway Engineer, a Resettlement Specialist, an Environmental Specialist, a Procurement Expert and an Accountant, all with qualifications and experience and terms of reference satisfactory to the Bank and as shall be required to enable the PEO to achieve its purposes in a manner and substance satisfactory to the Bank.

B. Anti-Corruption

2. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Social, Cultural Relics and Environment Protection

3. The Project Implementing Entity shall, in the carrying out of the Project, apply and implement, or cause to be applied and implemented: (i) the RPF and the RAPs prepared pursuant to the provisions of the RPF; and (ii) the EMPs, all in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity shall:
 - (a) take and cause to be taken all necessary actions to minimize to the extent possible the acquisition of land or assets of people, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out the Project or any Part thereof;
 - (b) where the acquisition of land or assets or the displacement of people is unavoidable, make available or cause to be made available to such people compensation in accordance with the RAP and the RPF, and before the carrying out of the works which would result in such acquisition or displacement, all in a manner satisfactory to the Bank; and

- (c) in the event that cultural relics as the term is defined under the relevant legislation of the Borrower are found during the carrying out of the Project or any part thereof, the Borrower shall immediately cease all civil works and related activities in such area and prepare and furnish to the Bank for its approval a plan for the preservation of such cultural relics, and thereafter carry out such plan as so approved by the Bank.
- 4. The Project Implementing Entity shall not amend, suspend, or waive the RPF, the RAPs, and the EMPs, or any provision thereof, without the prior concurrence of the Bank.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

- 1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports of the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in the Annex to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester (covering the period of January-June and July-December, respectively), and shall be furnished by the Borrower to the Bank by February 15 and August 15 of each year, commencing on August 15, 2008.
- 2. The Project Implementing Entity shall also furnish to the Bank: (a) a progress report detailing its annual rehabilitation and maintenance program for the road network in Anhui Province for the following calendar year, by November 15 of each year, commencing on November 15, 2008; and (b) a progress report detailing the executed annual maintenance budget of the APCD during the previous calendar year, by February 15 of each year, commencing on February 15, 2009, (said report to include a detailed analysis of the progress in improving the condition of the road network in Anhui Province during said previous calendar year).

B. Financial Management, Financial Reports; Audits

- 1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
- 2. The Project Implementing Entity shall adopt and thereafter apply in the implementation of the Project the Financial Management Manual, including financial management reports, satisfactory to the Bank. The Project Implementing Entity shall not amend, waive, suspend, abrogate or cancel the

Project Financial Management Manual or any provision therein without the prior approval by the Bank.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.

ANNEX

Performance Indicators

The performance indicators referred to in paragraph A.1, Section II of Schedule to this Agreement consist of the following:

PDO	Project Outcome Indicators	Use of Project Outcome Information
Increase the effective use of the road infrastructure in Anhui Province	Reduction in average freight rates along a representative sample of provincial and national road corridors Travel times on the rehabilitated or improved roads	Assess overall impact of improvements to transport flows along the corridor as a proxy for transport integration Assess improvement in time saving and accessibility of project affected areas
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
Road Improvement Component Improvement or upgrading of about 320 km of key provincial and national roads located on the Central-Eastern and Southeastern areas of Anhui Province	Road Improvement Component Increased traffic volumes on the corridors to be upgraded Reduction in accident rates	Assess effectiveness of investments in increasing overall capacity along the corridors Assess effectiveness of investments in addressing road safety issues along the corridors
Road R&M Component Support to the provincial rehabilitation and maintenance program from 2007 – 2010 under the EFYP	Road R&M Component Increased traffic volumes on the corridors to be rehabilitated Reduction in accident rates Percentage of AHAB budget allocated to maintenance and rehabilitation	Assess effectiveness of investments in increasing overall capacity along the corridors Assess effectiveness of investments in addressing road safety issues along the corridors Assess effectiveness of APCD’s program for road asset management

<p>Maintenance by Contract Component Pilot on maintenance by contract</p>	<p>Maintenance by Contract Component Application of alternative mechanisms for road maintenance</p>	<p>Verify applicability of alternative mechanisms for road maintenance through the contracting out maintenance approach</p>
<p>ISP Component Institutional strengthening</p>	<p>ISP Component Progress in implementing recycling approaches in road rehabilitation</p> <p>Progress in the completion of the milestones for the implementation of the new (enhanced) CPMS</p> <p>Enhanced knowledge and application of road management approaches through specialized training and study tours</p>	<p>Assess progress in implementing resource savings approaches in the road sector</p> <p>Assess progress towards the application of new road pavement management system</p> <p>Assess progress in acquisition of knowledge towards the application of enhanced road management practices</p>