

CONFORMED COPY

LOAN NUMBER 4099 CHA

Project Agreement

(Second Xinjiang Highway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

XINJIANG-UYGUR AUTONOMOUS REGION

Dated January 23, 1997

LOAN NUMBER 4099 CHA

PROJECT AGREEMENT

AGREEMENT, dated January 23, 1997, 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 equal to three hundred million dollars (\$300,000,000), 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 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 and engineering 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. (a) 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.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, XAR 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 XAR, a plan for the future operation of the Project; and

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

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 (MCI)
64145 (MCI) or

For XAR:

The People's Government
Xinjiang-Uygur Autonomous Region
No. 2 Zhongshan Road
Urumqi, Xinjiang 830001
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 the Governor or Vice-Governor of XAR or such other person or persons as said 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/ Li Daoyu

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

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 1996 (the Guidelines) and the following provisions of this Section, as applicable.

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 all contracts for works shall be prequalified in accordance with the provisions of paragraphs 2.09 and 2.10 of the Guidelines.

(b) 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.

(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. Limited International Bidding

Goods, which the Bank agrees can only be purchased from a limited number of suppliers, up to an aggregate amount not to exceed \$2,300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Except as otherwise provided under paragraph 4 below, works estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$128,100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International Shopping

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$1,600,000 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.

4. Force Account

Works under Part D of the Project which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$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.

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:

- (a) for works estimated to cost \$2,000,000 equivalent or more; and
- (b) for goods estimated to cost \$250,000 equivalent 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on the standard form of contract for consultants' services issued 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, other standard forms acceptable to the Bank shall be used.

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 (i) the terms of reference for such contracts, (ii) single-source selection of consulting firms, (iii) assignments of a critical nature, as reasonably determined by the Bank, (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

A. Part A of the Project: Environment, Land Acquisition and Resettlement

1. XAR shall:

(a) carry out the EAP and the RAP in a manner satisfactory to the Bank;

(b) furnish any proposed revision of the EAP and the RAP to the Bank for its prior approval;

(c) during the construction phase of the Urumqi-Kuitun Highway and for each of the first three (3) years following completion of construction, prepare, under terms of reference acceptable to the Bank, and furnish to the Bank an annual environmental monitoring report; and

(d) prepare, under terms of reference acceptable to the Bank, and furnish to the Bank: (i) by March 31 and September 30 of each year starting September 30, 1996, an internal monitoring report prepared by the appropriate agencies of XAR; and (ii) by June 30 and December 31 of each year starting December 31, 1996, an external monitoring report prepared by an independent agency acceptable to the Bank, regarding the implementation and impact of the resettlement activities during the previous six months.

B. Part B of the Project: Highway Maintenance

1. XAR shall furnish to the Bank for its review and comments, by March 30 of each year from 1997 until 2003, in a format acceptable to the Bank, an annual highway maintenance report in respect of the entire regional highway network which shall:

(a) indicate the length and condition of each class of road;

(b) establish targets for the following year, including an estimate of the required physical works and costs thereof; and

(c) measure the results and actual expenditures of the past year against the targets and the budgeted funds therefor.

2. XAR shall:

(a) by January 31 of each year commencing in 1997, prepare and furnish to the Bank for its concurrence the MRP yearly program for such year on the basis of technical and economic criteria acceptable to the Bank, such yearly program to include inter alia an estimate of the costs therefor and the expected IRI on the road segments covered by such program; and

(b) thereafter, implement such program in a manner satisfactory to the Bank.

3. XAR shall, by January 31 of each year from 1997 until 2000, furnish to the Bank for its review and comments, an annual report on highway maintenance and rehabilitation under the MRP which shall:

(a) indicate the highway maintenance and rehabilitation activities undertaken during the previous year; and

(b) indicate the actual IRI for the previous year, the expected IRI during the current year, and the costs associated with achieving such IRI, on the paved highways included in the MRP.

C. Part C of the Project: Institutional Strengthening and Training

1. XAR shall (a) carry out the training under Part C of the Project in accordance with a training program acceptable to the Bank; and (b) to that end, by October 31 of each year commencing in 1997, furnish to the Bank for its approval a rolling two-year training implementation schedule.

2. XAR shall, by April 30, 2000, furnish to the Bank for its review and comments, an analysis and recommendations of the structure of toll-rates on the Urumqi-Kuitun Highway 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 in other parts of China.

D. Part D of the Project: Highway Safety Program

1. XAR shall establish, not later than December 31, 1996, and thereafter maintain: (a) a Leading Group, which shall include representatives from XCD and the regional agency responsible for traffic safety, for traffic safety coordination and policy-making, with functions and responsibilities acceptable to the Bank; and (b) a Highway Safety Secretariat, with functions and responsibilities acceptable to the Bank, to serve as secretariat for said Leading Group and to develop safety audit procedures.

2. XAR shall, pursuant to terms of reference acceptable to the Bank:

(a) by October 31, 2000, complete a black spot identification and improvement program in a manner satisfactory to the Bank;

(b) by October 31, 2000, complete a program to improve road signs and markings in a manner satisfactory to the Bank; and

(c) by December 31, 2001, have an expert acceptable to the Bank prepare an evaluation of its highway safety program according to indicators acceptable to the Bank.

E. Part E of the Project: Promotion of Regional Transport

XAR shall:

(a) by December 31, 1996 establish a review panel with membership acceptable to the Bank to guide the regional transport study under Part E of the Project and provide comments on the results and recommendations of said study;

(b) by September 30, 1998 complete said study in accordance with terms of reference acceptable to the Bank and furnish said study together with the comments of said review panel to the Bank for review; and

(c) take appropriate steps to implement the recommendations of said study, taking into consideration the comments thereon of said review panel and the Bank.

F. Reporting and Monitoring

Without limitation upon the provisions of Section 9.07 of the General Conditions:

1. XAR shall prepare on the basis of guidelines acceptable to the Bank and furnish to the Bank:

(a) a monthly report of the progress of works on the Urumqi-Kuitun Highway; and

(b) a quarterly report of the progress of implementation of all components of the Project.

2. XAR shall, by March 31 of each year commencing in 1997 until completion of the Project, prepare and furnish to the Bank an annual report of the progress of implementation of all components of the

Project as measured against the projected indicators set forth in Table 2 of Schedule 3 to this Agreement except as the Bank and XAR shall otherwise agree.

3. XAR shall, by March 31 of each year commencing in 1997 until 2005, prepare and furnish to the Bank an annual report on the attainment of the development objectives of the Project as measured against the projected indicators set forth in Table 1 of Schedule 3 to this Agreement except as the Bank and XAR shall otherwise agree.

SCHEDULE 3

Performance Indicators

(SEE ORIGINAL FOR TABLES 1 AND 2, THE FORMAT WILL FIT THE DOCUMENT)

