

CONFORMED COPY

LOAN NUMBER 4453 CHA

Project Agreement

(Liaoning Urban Transport Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

LIAONING PROVINCE

Dated July 27, 1999

LOAN NUMBER 4453 CHA

PROJECT AGREEMENT

AGREEMENT, dated July 27, 1999, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and LIAONING PROVINCE (Liaoning).

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 one hundred fifty million Dollars (\$150,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Liaoning agree to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS Liaoning, 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) Liaoning 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 management 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 Liaoning shall otherwise agree, Liaoning 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) Liaoning shall carry out, or cause to be carried 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.

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

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

Section 2.04. (a) Liaoning 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) Liaoning 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 the Loan, or the performance by Liaoning of its obligations under this Agreement.

## ARTICLE III

### Financial Covenants

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

(b) Liaoning shall: (i) have the records and accounts referred to in paragraph (a) of this Section 3.01 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 (6) 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, 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 Liaoning thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Liaoning 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 Liaoning Province:

Liaoning Province People's Government  
No. 43 Beiling Street  
Huang Gu District  
Shenyang, Liaoning Province  
People's Republic of China

Cable address:

1908 shenyang

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 Liaoning may be taken or executed by the Governor of Liaoning or such other person or persons as said Governor shall designate in writing, and said Governor 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

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Authorized Representative

LIAONING PROVINCE

By /s/ Zhu Guangyao

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, September 1997 and January 1999 (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) Grouping of contracts

To the extent practicable, contracts for works under Parts A.3, B.3 and C.3 of the Project shall be grouped in bid packages estimated to cost \$10,000,000 equivalent or more each.

(c) 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.

(d) 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.

(e) 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 estimated to cost less than \$10,000,000 equivalent per contract, up to an aggregate amount not to exceed \$84,500,000 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 \$1,000,000 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

(a) With respect to each contract for: (i) works estimated to cost the equivalent of \$2,000,000 or more; (ii) goods estimated to cost the equivalent of \$250,000 or more; and (iii) works for Parts A.2, B.2 and C.2 irrespective of cost, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods for Parts A.2, B.2 and C.2 to be procured in accordance with the procedures referred to in paragraph C.2 of this Section I, the following procedures shall apply:

(i) prior to the execution of any contract under shopping procedures, a report on the comparison and evaluation of quotations received shall be provided to the Bank;

(ii) prior to the execution of any contract procured under shopping procedures, a copy of the specifications and the draft contract shall be provided to the Bank; 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, 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 and January 1999 (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

Procedures for the Selection of Consultants Individual consultants Services for tasks that meet the requirements set forth in paragraph 5.1 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 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 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

For purposes of Section 2.01 (b) of this Agreement, the implementation program shall consist of the following:

A. Project Management

Liaoning shall establish and thereafter maintain:

1. an institutional arrangement with composition, functions and responsibilities

satisfactory to the Bank, to provide overall guidance and coordination in the implementation of the Project; and

2. the Liaoning Urban Construction and Renewal Project Office, with functions, responsibilities and resources satisfactory to the Bank, managed and staffed by qualified personnel in adequate number, to oversee the overall management of the Project.

B. Project Implementation

1. Without any limitation or restriction upon any of its other obligations under this Agreement, Liaoning shall carry out Parts A, B and C of the Project through Shenyang, Fushun and Anshan, respectively.

2. For purposes of paragraph B.1 above, Liaoning shall enter into a project implementation arrangement with each Project City, satisfactory to the Bank. Each such project implementation arrangement shall provide inter alia that:

(a) The Project City shall establish and thereafter maintain: (i) a Project Leading Group with composition, functions and responsibilities satisfactory to Liaoning and to the Bank, to coordinate the planning and implementation of its Respective Part of the Project; and (ii) a Project Office with functions, responsibilities and resources satisfactory to Liaoning and to the Bank, managed and staffed with qualified personnel in adequate number, to manage the day to day implementation of its Respective Part of the Project.

(b) The Project City: (i) declares its commitment to the preservation of the environment and, to this end, undertakes to carry out its respective EAP in a manner satisfactory to Liaoning and to the Bank; (ii) shall furnish any proposed revision to its respective EAP to the Bank for its prior approval; (iii) shall maintain policies and procedures to enable it to monitor and evaluate on an ongoing basis the carrying out of its respective EAP; and (iv) shall, from time to time, provide to Liaoning for integration into the reports to be furnished by Liaoning to the Bank pursuant to the provisions of paragraph C (2) of this Schedule 2, the results of the monitoring and evaluation activities performed pursuant to clause (iii) of this paragraph B (2) (b).

(c) The Project City shall: (i) implement its respective RAP in a manner satisfactory to Liaoning and to the Bank; (ii) furnish any proposed revision to its respective RAP to the Bank for its prior approval; (iii) maintain policies and procedures adequate to enable it to monitor and evaluate, on an ongoing basis, the carrying out of its respective RAP, including engaging an independent agency acceptable to the Bank to monitor the implementation and impact of said RAP; and (iv) from time to time, provide to Liaoning for integration into the reports to be furnished by Liaoning to the Bank pursuant to the provisions of paragraph C (2) of this Schedule 2, the results of the monitoring and evaluation activities performed pursuant to clause (iii) of this paragraph B (2) (c).

(d) The Project City shall maintain records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of its Respective Part of the Project of the departments or agencies of said City responsible for carrying out said Part of the Project, or any portion thereof.

(e) The Project City shall: (i) procure the goods, works and consultants' services required for its Respective Part of the Project and to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 1 to this Agreement; and (ii) use such goods, works and services exclusively to carry out its Respective Part of the Project.

(f) The Project City shall: (i) furnish through Liaoning to the Bank for its review and comments, by December 15 of each year commencing in 1999, an annual work plan for the implementation of its Respective Part of the Project during the following calendar year, said work plan to include, inter alia, the scope and schedule of activities under each component of its Respective Part of the Project, the financing plan and detailed budget arrangements; and (ii) thereafter, implement said work plan in a manner satisfactory to Liaoning and to the Bank, taking into consideration the Bank's comments thereon.

(g) The Project City shall promptly inform Liaoning and the Bank of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project or the performance of its obligations under its respective project implementation agreement with Liaoning.

3. Liaoning shall make available to each of the Project Cities a portion of the proceeds of the Loan on the following terms:

(a) the principal amount made available to each Project City shall be the equivalent in dollars (determined on the dates of withdrawal from the Loan Account or of payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods or services required for said Project City's Respective Part of the Project;

(b) the Project City shall repay to Liaoning the principal amount so made available to it in dollars, over fifteen (15) years inclusive of a grace period of five (5) years;

(c) the Project City shall pay interest on such principal amount outstanding from time to time at a rate equal to the rate of interest applicable to the Loan pursuant to Section 2.06 of the Loan Agreement; and

(d) the Project City shall pay a commitment charge on the principal amount not withdrawn from time to time at a rate equal to three-fourths of one percent (3/4 of 1%) per annum.

4. Liaoning shall not, except as the Bank and the Borrower shall otherwise agree, assign, amend, abrogate or waive any project implementation agreement with a Project City, or any provisions thereof.

5. Liaoning shall carry out the training under Part D.1 of the Project in accordance with a training program acceptable to the Bank.

6. Under Part D.2 of the Project, Liaoning shall:

(a) (i) by December 31, 2000, complete under terms of reference acceptable to the Bank a study on parking policy and management; (ii) provide said study to the Bank for its review and comments; and (iii) thereafter, put into effect the recommendations of said study taking into consideration the Bank's view thereon;

(b) (i) by December 31, 2001, complete under terms of reference acceptable to the Bank the preparation of a strategy for the control of emissions from vehicles in Liaoning; (ii) provide said strategy to the Bank for its review and comments; and (iii) by December 31, 2002 implement such strategy in each Project City taking into consideration the Bank's view thereon; and

(c) (i) by December 31, 2000, complete under terms of reference acceptable to the Bank a study on the experience of public transport operations policies in the Project Cities as well as in other cities in China; (ii) provide such study to the Bank for its review and comments; and (iii) on the basis of said study and taking into consideration the Bank's view thereon, by June 30, 2001 formulate a strategy for the development of public transport in the Project Cities, including operations policies and regulations.

#### C. Monitoring and Reporting

1. Liaoning shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank the carrying out of the Project and the achievement of the objectives thereof.

2. Liaoning shall:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank: (i) a quarterly report on or about January 15, April 15, July 15 and October 15 of each year, commencing on October 15, 1999; and (ii) on or about December 31, 2001, a mid-term report, in each case integrating the results of the monitoring



and evaluation activities performed pursuant to paragraph (1) of this Section C and the information provided by each of the Project Cities, 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

(b) review with the Bank on such dates as the Bank shall request the reports referred to in sub-paragraph (a) above, 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 each such report and the Bank's views on the matter.

