

LOAN NUMBER 8568-CN

Project Agreement

(Urumqi Urban Transport Project II)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

XINJIANG UYGUR AUTONOMOUS REGION

Dated *February 26*, 2016

PROJECT AGREEMENT

Agreement dated *February 26*, 2016, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and XINJIANG UYGUR AUTONOMOUS REGION ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank. 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 this 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 objective of the Project. To this end, the Project Implementing Entity, through Urumqi Municipality, shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall 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, through Urumqi Municipality, 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 its Chairman or a Vice-Chairman or such other person or persons as said Chairman or a Vice-Chairman shall 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, NW
Washington, DC 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:

Xinjiang Uygur Autonomous Region Finance Department
16 Mingde Road, Urumqi Municipality
Xinjiang Uygur Autonomous Region
People's Republic of China

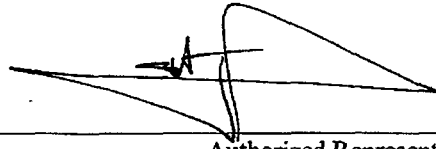
Facsimile:

+86 991 2816850

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Bert Hofman

Title: Country Director, China

XINJIANG UYGUR AUTONOMOUS
REGION

By



Authorized Representative

Name: Yang Yingqing
Deputy Director General

Title: International Economic and Finance
Cooperation Department
Ministry of Finance

SCHEDULE

Section I. Implementation Arrangements

A. Institutional and Implementation Arrangements

1. Throughout the period of Project implementation, the Project Implementing Entity shall maintain, through Urumqi Municipality, the following groups and offices, with membership, terms of reference, staffing and other resources acceptable to the Bank:
 - (a) a Project Leading Group at the municipal level, that shall be responsible for providing overall leadership, coordination and policy guidance, reviewing annual work plans and budgets, ensuring inter-agency coordination, and evaluating progress of the Project;
 - (b) the Project Management Office responsible for, *inter alia*, overall coordination, management and monitoring, annual budget and work plan preparation and review quality assurance, preparation of progress reports and withdrawal applications, and for procurement support under the Project; and
 - (c) Project implementation units in each of: (i) UMECD; (ii) UUTIC; and (iii) UCTRC; all of which shall be responsible for assisting in the carrying out of the Project, including *inter alia*, by handling contract administration and management, supervision, Project funding and payment of contracts, management of financial records, and authorization of disbursements for each Project activity, as applicable.
2. For the purpose of assisting the Project Implementing Entity with the carrying out of the Project, the Project Implementing Entity, through Urumqi Municipality, shall enter into agreements (the "Subsidiary Agreements") with UCTRC and UUTIC, under terms and conditions acceptable to the Bank, which shall include those set forth in the Annex to this Schedule.
3. The Project Implementing Entity, through Urumqi Municipality, shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Subsidiary Agreements or any provision thereof.
4. The Project Implementing Entity, through Urumqi Municipality, shall, and shall cause UUTIC and UCTRC, as applicable, to: (a) carry out activities under the Project during each fiscal year in accordance with Annual Work Plans agreed with the Bank; (b) prepare and furnish to the Bank by November 30 in each year,

beginning in 2015, a draft Annual Work Plan for review and comment, summarizing the implementation progress of the Project for the said year and the Project activities to be undertaken for the following calendar year, including the proposed annual budget for the Project; (c) taking into account the Bank's comments (which shall be provided within ten days after receipt by the Bank of the draft Annual Work Plan), finalize and furnish to the Bank no later than December 31 in each year, beginning on December 31, 2015, the Annual Work Plan, satisfactory to the Bank; and (d) thereafter, ensure the implementation of the Project during the following calendar year in accordance with the Annual Work Plan in a manner satisfactory to the Bank. The Project Implementing Entity shall not, and shall cause Urumqi Municipality not to, amend, suspend, abrogate, or waive said Annual Work Plans or any provision thereof without the prior approval of the Bank.

5. The Project Implementing Entity, through Urumqi Municipality, shall engage, and/or cause UMECD, UCTRC and UUTIC to engage, consultants in adequate numbers, with expertise, terms of reference, qualifications and experience, acceptable to the Bank, as required for the appropriate supervision of all activities under the Project.
6. For the purpose of assigning different roles and responsibilities with respect to Project implementation among Urumqi Municipality (through UMECD), UCTRC and UUTIC, the Project Implementing Entity, through Urumqi Municipality (UMECD), shall, by no later than January 31, 2016, enter into an Implementation Agreement (the "Implementation Agreement") with UCTRC and UUTIC, under terms and conditions acceptable to the Bank.
7. The Project Implementing Entity, through Urumqi Municipality, shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Implementation Agreement or any provision thereof.
8. The Project Implementing Entity, through Urumqi Municipality shall, by no later than June 30, 2018, finalize and adopt an improved parking management strategy including, *inter alia*, the concept of BRT-Parking along the BRT lines supported under Part A of the Project.
9. The Project Implementing Entity, through Urumqi Municipality shall, by no later than June 30, 2017, establish a comprehensive transport information center, with adequate staff and resources for its operation, and ensure that: (a) relevant agencies and departments commence sharing information with the center in a meaningful and timely manner; and (b) the information center commences sharing data with transport users and the private sector in a meaningful and timely manner.

B. Anti-Corruption

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

C. Safeguards

1. In carrying out the Project, the Project Implementing Entity, through Urumqi Municipality shall, and shall cause UCTRC and UUTIC, as applicable, to:
 - (a) take all necessary actions to minimize to the extent possible 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 of the Project or any part thereof; and
 - (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the RAP and in a manner satisfactory to the Bank.
2. The Project Implementing Entity, through Urumqi Municipality shall, and shall cause UCTRC and UUTIC to, implement, as applicable, the Safeguards Instruments in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity, through Urumqi Municipality, shall ensure that each contract for works under the Project shall include the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the EMP.
3. The Project Implementing Entity, through Urumqi Municipality, shall not, and shall cause UCTRC and UUTIC not to amend, suspend, fail to implement or waive the Safeguards Instruments, or any provision thereof, without the prior written concurrence of the Bank.
4. The Project Implementing Entity, through Urumqi Municipality shall, and shall cause UCTRC and UUTIC to, maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguards Instruments.
5. Without limitation to the provisions of paragraphs C.1 through C.4 of this Section I or the provisions of paragraph A.1 of Section II below, the Project Implementing Entity, through Urumqi Municipality, shall, and shall cause UCTRC and UUTIC to, take all measures necessary on their part to regularly

collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:

- (a) measures taken in furtherance thereof;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation thereof; and
 - (c) remedial measures taken or required to be taken to address such conditions.
6. In the event of any inconsistency between the provisions of the Safeguards Instruments and the provisions of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity, through Urumqi Municipality, shall monitor and evaluate the progress of the Project and prepare Project Reports 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 Results Framework. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Borrower not later than sixty (60) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.
2. Without limitation to the provisions of paragraph A.1 above, the Project Implementing Entity, through Urumqi Municipality, shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank no later than September 1, 2018, a consolidated mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and to further the objectives thereof.
3. The Project Implementing Entity, through Urumqi Municipality, shall provide to the Borrower, not later than three months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports, Audits

1. The Project Implementing Entity shall maintain, and cause Urumqi Municipality to 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, resources and expenditures related to the Project.
2. Without limitation on the provision of Part A of this Section, the Project Implementing Entity, through Urumqi Municipality, shall prepare and furnish to the Bank as part of the Progress Reports not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity shall, and shall cause Urumqi Municipality to have, its financial statements 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 Project Implementing Entity shall ensure that the audited financial statements for each period shall be:
(a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods, 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 Section III of Schedule 2 to the Loan Agreement.

**ANNEX A
to the
SCHEDULE**

**Principal Terms and Conditions of the
Subsidiary Agreements (UCTRC and UUTIC)**

For purposes of Sections I.A.2 and I.A.3 of the Schedule to this Agreement, the Subsidiary Agreements to be entered into by the Project Implementing Entity, through Urumqi Municipality, and UCTRC and UUTIC, respectively, shall reflect, *inter alia*, the following terms and conditions:

1. For the purpose of assisting the Project Implementing Entity with the carrying out of the Project, the Project Implementing Entity, through Urumqi Municipality, shall make available to UUTIC a portion of the proceeds of the Loan from time to time, under terms and conditions acceptable to the Bank.
2. The Project Implementing Entity, through Urumqi Municipality, shall have the right to suspend or terminate the right of UCTRC and UUTIC to use and/or receive the proceeds of the Loan, allocated from time to time to the Project, upon failure by UCTRC or UUTIC to perform any of its obligations under the respective Subsidiary Agreement.
3. Each of UCTRC and UUTIC shall, respectively, undertake to:
 - (a) assist the Project Implementing Entity, through Urumqi Municipality, in the carrying out of the Project with due diligence and efficiency and in accordance with appropriate management, financial and engineering practices, and social and environmental standards, acceptable to the Bank, including the Anti-Corruption Guidelines, and to provide, promptly as needed, the funds, facilities and other resources required for this purpose;
 - (b) maintain, throughout Project implementation, staff in adequate numbers and with terms of reference and qualifications acceptable to the Bank, to be responsible for implementing the Project; and
 - (c) without limitation to the foregoing, to take all measures necessary to ensure that the Project be implemented, as applicable, in accordance with the Safeguards Instruments.
4. UCTRC and UUTIC shall have, by no later than January 31, 2016, entered into the tripartite Implementation Agreement, and thereafter to exercise their rights under the Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and

except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Implementation Agreement or any provision thereof.

5. Each of UCTRC and UUTIC shall, respectively, undertake to procure the works, goods and services to be financed out of the proceeds of the Loan, allocated from time to time to the Project, in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and to utilize such works, goods and services exclusively in the carrying out of the Project.
6. Each of UCTRC and UUTIC shall, respectively, undertake to enable the Bank and the Project Implementing Entity, through Urumqi Municipality, to inspect such sites and works included in the Project, the operation thereof, and any relevant records and documents as the Bank and/or the Project Implementing Entity, through Urumqi Municipality, shall deem necessary.
7. Each of UCTRC and UUTIC shall undertake, throughout Project implementation, to:
 - (a) maintain records and accounts adequate to reflect their operations and financial condition in accordance with sound accounting practices;
 - (b) have the Project financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (c) furnish to the Bank and the Project Implementing Entity, through Urumqi Municipality, as soon as available, but in any case not later than six (6) months after the end of each such year: (i) certified copies of the Project financial statements for such year as so audited; (ii) an opinion on such statements by the auditors referred to in paragraph 7(b) above, in such scope and detail as the Bank and/or the Project Implementing Entity, through Urumqi Municipality, shall have reasonably requested; and (iii) all such other information concerning said records and financial statements, as well as the audit thereof, as the Bank and/or the Project Implementing Entity, through Urumqi Municipality, shall reasonably request;
 - (d) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed between the Project Implementing Entity and the Bank, the carrying out of the Project and the achievement of the objective thereof; and

- (e) to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods.