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**LOAN NUMBER 4765-CHA**

# **Project Agreement**

**(Inner Mongolia Highway and Trade Corridor Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**INNER MONGOLIA AUTONOMOUS REGION**

**Dated May 18, 2005**

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**LOAN NUMBER 4765-CHA**

**PROJECT AGREEMENT**

AGREEMENT dated May 18, 2005, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and INNER MONGOLIA AUTONOMOUS REGION (Inner Mongolia).

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 a loan to the Borrower in the amount of one hundred million Dollars (\$100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Inner Mongolia agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Inner Mongolia, 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) Inner Mongolia 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 road 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 Inner Mongolia shall otherwise agree, Inner Mongolia shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) Inner Mongolia shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 2.03. (a) Inner Mongolia 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 Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Inner Mongolia 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 Inner Mongolia, a plan for the future operation of the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with Inner Mongolia on said plan.

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

## ARTICLE III

### Financial Covenants

Section 3.01. (a) Inner Mongolia shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect resources and expenditures in respect of the Project.

- (b) Inner Mongolia shall:
- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 3.02. (a) Without limitation upon Inner Mongolia's reporting obligations set out in paragraph 6 of Schedule 2 to this Agreement, Inner Mongolia shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and

explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover the period not covered by the previous FMR until the end of such calendar semester.

## **ARTICLE IV**

### **Effective Date; Termination**

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 Inner Mongolia thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Inner Mongolia thereof.

Section 4.03. All these 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. 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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For Inner Mongolia:

Inner Mongolia Communications Department  
No. 68 Dizhiju South Street  
Huhhot 010020  
People's Republic of China

Facsimile:

0471-6967588

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 Inner Mongolia, may be taken or executed by the Governor or any Vice Governor of Inner Mongolia or such other person or persons as the Governor or Vice Governor shall designate in writing, and Inner Mongolia 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/ David Dollar

Authorized Representative

INNER MONGOLIA AUTONOMOUS REGION

By: /s/ Ju Kuilin

Authorized Representative



## SCHEDULE 1

### Procurement and Consultants' Services

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$400,000 equivalent per contract and works estimated to cost less than \$15,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

The procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No. 21 of the President of the People's Republic of

China on August 30, 1999, with the following clarifications required for compliance with the Guidelines:

(a) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except for civil works contracts that are estimated cost less than \$2,000,000 equivalent each and for goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

(b) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.

(c) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.

(d) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or Inner Mongolia, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security. Said security shall be required to be furnished only at the time when the bid is submitted and not when the bidder is purchasing the bid document.

(e) Bidders shall be permitted to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.

(f) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

(g) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of "pass/fail" requirements.

(h) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or Inner Mongolia, as the case may be.

(i) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. There shall be no negotiations with a bidder prior to the award, and the winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

(j) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

(k) A government-owned enterprise in the Borrower's country may be permitted to bid or submit a proposal for the supply of goods and works only if such enterprise can establish that it: (A) is legally and financially autonomous; (B) operates under commercial law; and (C) is not a dependent agency of the agency conducting the procurement.

(l) Re-bidding should not be allowed solely because the number of bids is less than three (3).

(m) The successful bidder shall not be required to pay any service fee to a procurement agent, employer or purchaser in exchange for being awarded a contract.

(n) Association with any local firm or firms shall not be a pre-condition for foreign bidders to be awarded a contract.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

Selection Based on Consultants' Qualifications. Services for training under Part D of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of \$4,000,000 or more; (b) each contract for goods estimated to cost the equivalent of \$400,000; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. All other contracts shall be subject to Post Review by the Bank.

## **SCHEDULE 2**

### **Implementation Program**

1. In carrying out Parts A, B and C of the Project, Inner Mongolia shall:
  - (a) take, or cause to be taken, all necessary actions to minimize, to the extent possible, any involuntary loss by persons of shelter, productive assets or access to productive assets or of income or means of livelihood, temporarily or permanently;
  - (b) carry out the EMPs and RAPs in a manner satisfactory to the Bank; and
  - (c) furnish any proposed revision of the plans referred to in sub-paragraph (b) above to the Bank for its prior approval.
  
2. In carrying out Parts A, B and C of the Project, Inner Mongolia 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 EMPs, RAPs and the EMDP; and
  - (b) prepare under terms of reference acceptable to the Bank, and furnish to the Bank:
    - (i) an annual environmental monitoring report, by June 15 of each year, commencing June 15, 2006, and until completion of the Project;
    - (ii) by May 15 and November 15 of each year and until completion of the Project, commencing May 15, 2005, an internal monitoring report prepared by the appropriate agencies of Inner Mongolia on the implementation and impact of resettlement activities during the preceding one year or six-month period, as the case may be; and

- (iii) by March 15 and September 15 of each year and until completion of the Project, commencing September 15, 2005, an external monitoring report prepared by an independent entity acceptable to the Bank on the implementation and impact of resettlement activities and the EMDP, during the preceding year or six-month period, as the case may be.

3. In carrying out Part A of the Project, Inner Mongolia shall prepare and provide to the Bank a monthly progress report, in form and content satisfactory to the Bank, on the progress of civil works, commencing May 1, 2005, and until completion of the civil works.

4. In carrying out Part C.2 of the Project, Inner Mongolia shall furnish to the Bank for comments, by December 31, 2006, the recommendations of the diagnostic study on measures to promote cross-border trade between China and its land-locked neighbors.

5. In carrying out Part D.1 of the Project, Inner Mongolia shall furnish to the Bank for comments, by November 15 in each year, commencing November 15, 2005, an annual training program for the following year, and, thereafter, carry out such training program taking into account the Bank's comments, if any.

6. Inner Mongolia shall:

- (a) 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;

- (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than February 15, May 15, August 15 and November 15 of each year, commencing August 15, 2005, and until completion of the Project, quarterly progress reports on the implementation of the Project;

- (c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 15 in each year, commencing February 15, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said 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

- (d) review with the Bank, by May 15 in each year, commencing May 15, 2006, or such later date as the Bank shall request, the report referred to in

paragraph (c) of this Section, 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.