Project Agreement

(Shaanxi Ankang Road Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SHAANXI PROVINCE

Dated May 28, 2007
PROJECT AGREEMENT

Agreement dated May 28, 2007, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and SHAANXI 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 Shaanxi or such other person or persons as such the Governor or Vice Governor of Shaanxi designate in writing, and Shaanxi 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: INTBAFRAD Washington, D.C. 248423(MCI) or 1-202-477-6391  
Telex: 64145(MCI)

3.03. The Project Implementing Entity’s Address is:

No.300 Youyi West Road  
Beilin District  
Xi’an 710068  
People’s Republic of China

Facsimile: 86-29-85233105

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By David Dollar  
Authorized Representative

SHAANXI PROVINCE

By Yuan Chunqing  
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

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 SPCD, the FFFPO 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 who shall be the director of the FFFPO, and assigned with such powers, funds and staffing in adequate numbers including a Director, a Chief Engineer, a Bridge Engineer Specialist, a Tunnel Engineer Specialist, 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 FFFPO to achieve its purposes in a manner and substance satisfactory to the Bank.

2. In the carrying out of Part B of the Project, the Project Implementing Entity shall take all such action as shall be necessary to cause Ankang City to comply with its obligations under the Implementation Arrangements.

3. The Project Implementing Entity shall exercise its rights under the Implementation Arrangements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and shall not, and shall cause Ankang City not to, assign, amend, suspend, abrogate or waive the Implementation Arrangements or any provision thereof, without the prior concurrence by the Bank.

Social, Cultural Relics and Environment Protection.

4. The Project Implementing Entity shall, in the carrying out of Parts A and B of the Project, implement or cause to be implemented the RPF including the RAPs prepared pursuant to the provisions of the RPF, the RAP, and the related EMPs, respectively, 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;

(c) in carrying out the Project or any part thereof, apply or cause to be applied the EMPs in a manner satisfactory to the Bank; and

(d) 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.

5. The Project Implementing Entity shall, by no latter than September 30, 2007, prepare and furnish to the Bank the Maoba-Bashan Expressway RAP and the Maoba-Bashan Expressway EIA, satisfactory to the Bank, and thereafter implement or cause to be implemented in the construction of the Maoba-Bashan Expressway, the Maoba-Bashan Expressway RAP and the environmental mitigating measures under the Maoba-Bashan Expressway, all in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity shall 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 Maoba-Bashan Expressway.

6. In the event that cultural relics as the term is defined under the relevant legislation of the Borrower are found during the construction of the Maoba-Bashan Expressway, the Project Implementing Entity shall immediately cease or cause to be ceased 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 in accordance with the Borrower’s relevant legislation, and thereafter carry out such plan as so approved by the Bank.

7. The Project Implementing Entity shall not amend, suspend, or waive the RAP, the RPF, the RAPs referred to in paragraph 4(b) of this Section, the Maoba-Bashan Expressway RAP, the EMF, the relevant EMPs and the Maoba-Bashan Expressway EIA or any provision thereof, without the prior concurrence of the Bank.

**Project Implementation.**

8. For purposes of carrying out Part B of the Project, the Project Implementing Entity shall and shall cause Ankang City to, in a manner and substance satisfactory to the Bank:
(a) select Local Roads Sections, in accordance with selection criteria, satisfactory to the Bank, including: (i) priority in eliminating traffic bottlenecks; (ii) location along the corridor around the AME to contribute to, and take advantage of, the transport benefits of the proposed expressway; (iii) improvement of access to poor areas (below per capita income of RMB 865 per annum); and (iv) reduce environmental impacts;

(b) apply the RPF, the EMF and the relevant RAPs and EMPs;

(c) establish and implement monitoring arrangements;

(d) implement the relevant Financial Management Manual, including financial management reports; and

(e) apply the relevant provisions of the Procurement Guidelines, sample bidding model documents to be used for Shopping Works Contracts, and the provisions of Section III of this Schedule.

9. For purposes of carrying out Part C of the Project, the Project Implementing Entity shall:

(a) on November 15 of each year, commencing on November 15, 2007, furnish to the Bank for its approval an annual training program for the forthcoming calendar year and thereafter implement each such training program as so approved; and

(b) on or before September 30, 2007, furnish to the Bank for its approval the terms of reference for the carrying out of the studies under such Part of the Project, and thereafter carryout such studies in accordance with the terms of reference so approved.

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, and shall be furnished to the Borrower not later four (4) weeks 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. Each such Project Report shall also include information on the progress in the implementation of the Maoba-Bashan Expressway, in particular relating to the implementation of the Maoba-Bashan Expressway RAP and the mitigating measures under the Maoba-Bashan Expressway EIA.
2. The Project Implementing Entity shall furnish to the Bank for its review and comments: (a) on December 1 of each year commencing on December 1, 2007, its proposed road maintenance budget for the following Borrower’s Fiscal Year (January to December); and (b) on March 31 of each year, commencing on March 31, 2008, a report on the implementation of its road maintenance budget during the prior Borrower’s Fiscal Year.


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 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 goods, works and services required for the Project Implementing Entity’s Respective Part of 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 above in paragraph A.1, Section II of this Schedule consist of the following:

<table>
<thead>
<tr>
<th>PDO</th>
<th>Outcome Indicators</th>
<th>Use of Outcome Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve passenger and freight traffic flows in an efficient and safe manner along the corridor from Ankang to Maoba.</td>
<td>Freight rate for a shipment from Ankang to Wanyuan (based on a sample of products).</td>
<td>Assess overall impact of improvements to transport flows along the corridor as a proxy for transport integration.</td>
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<td>Travel time on existing highway and AME.</td>
<td>Assess improvement in time saving and accessibility of areas around Ankang Prefecture.</td>
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<td>Accident rates on the existing Highway and AME.</td>
<td>Identify possible shortcomings in addressing road safety conditions along the corridor.</td>
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</tbody>
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<th>Intermediate Results One per Component</th>
<th>Results Indicators for Each Component</th>
<th>Use of Results Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>AME Component: Enhance road infrastructure capacity along the Ankang-Maoba Expressway.</td>
<td>AME Component: Average daily traffic on the Expressway.</td>
<td>AME Component: Assess effectiveness of investments in increasing overall capacity along the corridor.</td>
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<td></td>
<td>AME Component: Average daily traffic on the existing parallel highways (sample of roads).</td>
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<td>LRIP Component:</td>
<td>ISP Component:</td>
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<td>Increase accessibility to markets and services by the lower-income rural areas of Ankang.</td>
<td>Strengthen SPCD’s capacity in managing the increasing number of kilometers of roads under its responsibility in the Shaanxi Province and, in particular, within Ankang.</td>
<td>Assess improved data collection practices at SPCD for better road management decisions.</td>
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<td>Increase in average traffic volume and reduction in travel time on selected roads after the completion of the improvements.</td>
<td>Increased percentage of road provincial road network with up-to-date information on its condition.</td>
<td>Assess progress in acquisition of knowledge towards the application of enhanced road management practices at both provincial and city offices of the SPCD.</td>
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<td>Reduction in average passenger tariffs and freight rates per kilometer on selected roads after the completion of the improvements.</td>
<td>Enhanced knowledge based on road impacts.</td>
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<td>Enhanced overall knowledge of road management issues and approaches at SPCD and Ankang Road Bureau.</td>
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