



Project Administration Memorandum

Project Number: 36433
Loan Number: 2274
November 2007

PRC: TAIYUAN-ZHONGWEI RAILWAY DEVELOPMENT PROJECT

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 6 February 2006)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.1240
\$1.00	=	CNY8.0616

The exchange rate of the yuan is determined under a floating exchange rate system. In this report, a rate of \$1.00 = CNY8.0616, the rate prevailing at the time of fact-finding of the Project, is used.

ABBREVIATIONS

ADB	–	Asian Development Bank
CCB	–	China Construction Bank
CDB	–	China Development Bank
CO ₂	–	carbon dioxide
EA	–	executing agency
EIA	–	environmental impact assessment
EIRR	–	economic internal rate of return
EMP	–	environmental management plan
FIRR	–	financial internal rate of return
FYP	–	Five-Year Plan
GDP	–	gross domestic product
ICB	–	international competitive bidding
LIB	–	limited international bidding
LIBOR	–	London interbank offered rate
m ²	–	square meter
MIS	–	management information system
MOR	–	Ministry of Railways
mtoe	–	million ton oil equivalent
NCB	–	national competitive bidding
NHAR	–	Ningxia Hui autonomous region government
PAM	–	project administration mission
PCR	–	project completion report
PRC	–	People's Republic of China
RCSO	–	Railway Construction Support Office
RP	–	resettlement plan
SAPG	–	Shaanxi provincial government
SDAP	–	social development action plan
SEIA	–	summary environmental impact assessment
SPG	–	Shanxi provincial government
STI	–	sexually transmitted infection
TA	–	technical assistance
TSDI	–	Third Survey and Design Institute
TZR	–	Taiyuan–Zhongwei Railway
WACC	–	weighted average cost of capital

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2006 ends on 31 December 2006.
- (ii) In this report, "\$" refers to US dollars.

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LOAN PROCESSING HISTORY

	Date(s)
a. Approval of project or program preparatory technical assistance	8 April 2005
b. Feasibility study	
c. Fact-finding	16-25 January 2006
d. Management review meeting (MRM)	13 March 2006
e. Appraisal mission	4-23 March 2006
f. Staff review committee (SRC)	10 April 2006
g. Loan negotiations	24-25 Oct 2006
h. Board circulation	30 Oct 2006
i. Board consideration and approval	23 Nov 2006
j. Loan agreement signing	24 May 2007
k. Loan effectiveness, including conditions	21 Aug 2007

DESIGN MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved transport system in the region that supports socioeconomic development and the western development strategy</p>	<p>GDP is forecast to increase during 2010–2020 at 6% per annum for Shanxi, Shaanxi, and Ningxia provinces and 7–8 % per annum for the project area</p> <p>Per capita rural income in the project area increased from CNY2,313 in 2004 to CNY3,281 in 2012 and CNY4,654 in 2020</p> <p>Poverty incidence in the project area reduced from 21.5% in 2005 to 6% in 2015</p> <p>All poverty villages along the alignment provided with road access (338), drinking water (1,573), telephone access (1,197), and electricity (78) by 2010</p>	<p>Provincial and county/city statistics offices</p> <p>Project performance management system at inception, completion, and 3 years after with emphasis on socioeconomic improvement impacts</p> <p>Annual reporting by the Project Company</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Government investment projects are implemented as planned Complementary activities are implemented The Government is committed to reducing poverty in the western region, based on the Western Development Strategy. Investment of MOR, SPG, SAPG, NHAR, and local governments in the railway sector is implemented according to their plans
<p>Outcomes An efficient, safe, reliable, affordable, and environmentally friendly railway transport system is developed in the region</p> <p>Local economic development—particularly small business, industry, and tourism—is promoted</p>	<p>EIRR maintained at about 18.2%</p> <p>Passenger traffic volume increased from 4.78 million passengers in 2012 to 15.62 million passengers in 2031</p> <p>Freight traffic volume increased from 44.5 million tons in 2012 to 123 million tons in 2020</p> <p>Interregional traffic between the PRC and Central Asia and Europe increased from 59 million tons in 2004 to 400 million tons in 2020</p> <p>Interprovincial and intra-provincial trade increases by 50% by 2015</p> <p>Travel time reduced from (i) Taiyuan to Zhongwei, from present 15 hours to 8 hours; (ii) Taiyuan to Yinchuan, from present 15 hours to 8 hours</p> <p>Cost of travel reduced from 28 fen/km to 10 fen/km in 2012</p> <p>Number of accidents reduced by 10% in 2012</p> <p>Fuel saving of 1.16 mtoe in 2012, and 1.85 mtoe in 2020; and reduced CO₂ emissions by 34,000 tons in 2012, and 56,000 tons in 2020</p> <p>By 2015, the number of shops, tourist centers, hotels, and small businesses established in the vicinity of station areas increased by 50%</p> <p>By 2015, the number of rural</p>	<p>Reevaluation of EIRR at midterm review and project completion</p> <p>MOR statistics and operating data before and after the Project</p> <p>Progress reports</p> <p>Project administration missions and project completion report</p> <p>Post-evaluation surveys and reports from MOR</p> <p>Accident statistics from Public Security Bureau and hospitals</p> <p>Statistics from local Environmental Protection Bureaus, Communication Bureaus, and MOR</p> <p>Local government statistics</p>	<p>Assumptions</p> <ul style="list-style-type: none"> The demand forecast materializes; no cost overruns experienced. Assumed economic growth rates materialize Traffic forecasts for the TZR are realized Passengers and freight operators realize the benefit of using the railways <p>Risk</p> <ul style="list-style-type: none"> Local governments undertake the planned tourism and local area development

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	<p>enterprises increased by 50%</p> <p>By 2015, the number of large enterprises increased by 40%</p> <p>In the 5 years after construction starts, the employment generated in the project area is 20% higher than in 2005</p> <p>By 2015, the average income per farmer increased by 40%</p> <p>Number of tourists visiting the project area increased by 30% in 2015</p>		<ul style="list-style-type: none"> Local governments may not have sufficient budget to implement the tourism and local area development plan
<p>Outputs</p> <p>1. Railway infrastructure and associated facilities improved along the Taiyuan–Zhongwei railway corridor</p> <p>2. Employment opportunities generated for poor and</p>	<p>Transport capacity expanded in the Taiyuan–Zhongwei corridor by 22 billion ton-km for freight and 1.89 billion passenger-km for passengers, in 2012</p> <p>944 km of railway line and 41 stations are constructed; equipment procured and installed for train operations</p> <p>Implementation of land acquisition and resettlement plan; about 4,656 ha of permanent land and 1,872 ha of temporary land acquired; about 12,000 people are relocated and 78,700 have partial land loss and will be compensated and rehabilitated by July 2009</p> <p>Number of schools, enterprises, and infrastructure replaced</p> <p>Environment at the project site is protected and adverse environmental impacts minimized by implementing mitigation measures as included in the EIA and SEIA Mitigation measures included in civil works contracts</p> <p>Project's adverse impacts on the poor, women, and ethnic minorities is minimized by implementation of the SDAP</p> <p>Control of HIV/AIDS and health risks for construction workers and service providers; indicators include number of clinics, number of patients, number of posters, and number of people tested</p> <p>453,000 person-years of construction-related employment are generated, of which the poor,</p>	<p>PAMs and PCR</p> <p>PAMs, progress reports, and PCR</p> <p>Regular resettlement monitoring by an independent institute engaged by the Project Company</p> <p>Environmental monitoring reports, PAMs, and PCR</p> <p>Monitoring reports of the social development action plan, PAMs and PCR</p> <p>Monitoring by the Health Bureau</p> <p>Progress reports</p> <p>Monitoring by the</p>	<p>Risk</p> <ul style="list-style-type: none"> Construction may be delayed because of its complexity <p>Assumption</p> <ul style="list-style-type: none"> Completion of equipment procurement and installation at project opening <p>Assumption</p> <ul style="list-style-type: none"> Adequate land for new house sites is available within villages for resettlement <p>Risks</p> <ul style="list-style-type: none"> Relocation may not be done satisfactorily Viable alternative employment may not be found for affected people <p>Assumption</p> <ul style="list-style-type: none"> Mitigation measures are adequate to address environmental impacts Commitment of MOR/Project Company and contractors to implementation of mitigation measures <p>Assumption</p> <ul style="list-style-type: none"> Mitigation measures are adequate to address social impacts <p>Risk</p> <ul style="list-style-type: none"> The capacity of the Health Bureau may not be sufficient to implement mitigation measures <p>Assumptions</p> <ul style="list-style-type: none"> The poor are qualified to capture these job

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>vulnerable groups to raise incomes and living standards, and reduce poverty</p> <p>3. Corporate governance promoted</p> <p>4. Institutional capacity of the Project Company strengthened</p>	<p>including women, capture 50% of unskilled labor</p> <p>By 2012, average income per worker increased by 40%</p> <p>Private sector participation increased in provision of services and development of associated infrastructure</p> <p>An effective marketing program is developed to attract passengers and tourists along the TZR</p> <p>TZR operations separated from MOR operations</p> <p>A debt-to-equity ratio of not more than 65:35, an operating ratio of not more than 70%, and a debt-service coverage ratio of not less than 1.2</p> <p>10 person-months of international consulting services will be provided for business development and marketing, and institutional strengthening</p>	<p>Project Company and external monitoring agency</p> <p>PAMs, progress reports, and PCR</p> <p>PAMs, progress reports, and PCR</p> <p>Financial statements of the Project Company, midterm review, and PCR</p> <p>Consultant's reports</p> <p>Progress reports</p>	<p>opportunities</p> <p>Assumption</p> <ul style="list-style-type: none"> Provincial government approval will be given in a timely manner <p>Risks</p> <ul style="list-style-type: none"> Adequate funds are not invested in marketing MOR may interfere in the Project Company's operations <p>Assumptions</p> <ul style="list-style-type: none"> Revenue forecast materializes as originally envisaged and Project implemented without cost overrun or implementation delays, including approval of project tariff rates Consultant recruitment is timely and the performance of consultants is good in providing consulting services to Project Company
<p>Activities with Milestones</p> <p>1.1 Civil works and buildings: contracts awarded by December 2006 and completed by August 2010.</p> <p>2.1 Materials and equipment: procured by June 2011.</p> <p>3.1 Land acquisition and resettlement: completed by July 2009.</p> <p>4.1 Consulting: consultants recruited by March 2007; work completed by August 2011.</p> <p>5.1 Track laying: started by April 2008 and completed by December 2010</p> <p>6.1 Telecommunications: telecommunications completed by June 2011.</p> <p>7.1 Trial operations: completed by June 2012.</p>			<p>Inputs</p> <ul style="list-style-type: none"> ADB: \$300 million: <ul style="list-style-type: none"> \$157.4 million (track work) \$113.9 million (materials) \$0.4 million (consultants) \$28.3 million (contingencies) MOR, SPG, SAPG, NHAR: \$1.314 billion China Development Bank: \$1.606.3 billion China Construction Bank: \$532.2 million

CO₂ = carbon dioxide, EIA = environmental impact assessment, EIRR = economic internal rate of return, EPB = Environmental Protection Bureau, GDP = gross domestic product, MOR = Ministry of Railways, mtoe = million ton oil equivalent, NHAR = Ningxia Hui Autonomous Region government, SAPG = Shaanxi provincial government, SPG = Shanxi provincial government, TZR = Taiyuan–Zhongwei railway, PAM = project administration mission, PCR = project completion report, SDAP = social development action plan, SEIA = summary environmental impact assessment.

I. PROJECT DESCRIPTION

A. Project Area and Location

1. The Project is located in the central part of Shanxi province and the northwestern part of Shaanxi and Ningxia province---a relatively poor area. The proposed project is the shortest east-west corridor linking Beijing, Qingdao, Hunan, Qinhua, Qinhua, Taiyuan, and other major cities and ports in the east to Yinchuan, Zhongwei, Lanzhou, and Urumqi in the west on its way to Kazakhstan. The proposed alignment for the TZR is 100–500 km shorter than the existing route passing through the Longhai and Baolan railway lines. Traversing Shanxi and Shaanxi Provinces, and Ningxia Hui Autonomous Region (NHAR), the proposed railway line will connect with Beijing–Guangzhou–Shenzhen, Qingdao–Shijiazhuang–Taiyuan, Taiyuan–Zhengzhou, Huanghua–Shijiazhuang–Taiyuan, Qinhua–Tianjin–Cangzhou–Shijiazhuang–Taiyuan main lines in the east; Shenmu–Yan’an¹ in the center; and Baotou–Wuhai–Lanzhou, Baotou–Suide–Xi’an, Urumqi–Wuwei–Zhongwei, and Xi’an–Yan’an main lines in the west. The proposed line extends eastward to Shijiazhuang, connecting with Jing–Guang, to Hengshui, connecting with Jing–Jiu,² and to Dezhou connecting with the Jing–Hu route; westward to Wuwei and Lanzhou, connecting with the Jing–Lan routes and Lan–Xin line; northward to Wuhai, connecting with Baotou on Jing–Bao line; and southward to Baoji and Xi’an, connecting with Longhai line. The Project will also help promote regional cooperation as this is the shortest east-west corridor linking the PRC to Europe.

B. Impact and Outcome

2. By removing a transport constraint to sustainable economic growth, the Project will help increase standards of living and reduce poverty in the project area. This will be achieved by providing efficient, affordable railway transportation in unserved, less-developed areas to create conditions necessary for developing local resources and generating employment and income-enhancing opportunities.

C. Outputs

3. The Project comprises: (i) construction of 520 km double track electrified standard gauge Class I railway between Taiyuan and Dingbian, 232 km electrified single track from Dingbian–Zhongwei, and 192 km electrified single track from Dingbian to Yinchuan;³ (ii) construction of 41 new railway stations complete with facilities; (iii) safety initiatives, including provision of modern technology and equipment for enhancing safety; (iv) signaling, e-governance and management information system; (v) provision of training on the use and maintenance of modern equipment; (vi) land acquisition and resettlement; (vii) environmental protection and mitigation of adverse environmental effects; (viii) consulting services for construction supervision, monitoring and evaluation, and marketing and business development; and (ix) strengthening of institutional capabilities. The key inputs needed for project implementation include civil works, equipment, consultants, and MOR and the Project Company staff.

D. Special Features

¹ ADB provided \$200 million for Loan 1553-PRC: Shenmu–Yan’an Railway Project (footnote 11).

² ADB provided \$200 million for Loan 1305-PRC: Jing–Jiu Railway Technical Enhancement Project (footnote 11).

³ Supplementary Appendix B describes characteristics of the TZR.

4. **Energy and Pollution Benefits.** Railways as a mode of transport are more energy-efficient and environmentally friendly than road transport. Rolling resistance of a steel wheel on a rail is much less than that of rubber tires on a pavement; some theoretical estimates indicate that rail transport is between 6 and 10 times more energy efficient than road. In the United States, the Department of Energy has estimated⁴ the energy intensity of rail freight at 345 British Thermal Units (BTUs) per ton-mile and road freight at 3,476 BTUs per ton-mile. This indicates that rail is about 10 times as energy efficient as truck transport—a range similar to the estimate made by Canadian researchers.⁵ Based on the International Energy Agency report⁶ and fuel data from *China Statistical Yearbook 2005*,⁷ the diverted traffic from road to rail will lead to a saving of 1.16 million ton oil equivalent (mtoe) in 2012 and 1.85 mtoe in 2020, which will result in a benefit (on account of reduced fuel consumption) of CNY273.8 million in 2012. There is a direct relationship between energy consumption and emission of harmful pollutants, and rail transport emits far fewer harmful elements compared with road. These emissions include carbon dioxide (CO₂), nitrogen oxides, hydrocarbons, sulfur oxides, and suspended particles. Under the provisions of the Kyoto Protocol, a value can be placed on CO₂ emissions; certified emission reductions of CO₂ are presently valued in the PRC at \$8 per ton.⁸ Using specific fuel usage and emission rates for the PRC, the diverted traffic from road to rail will result in reduced CO₂ emissions by 34,000 tons in 2012, rising to 56,000 tons in 2020; this will result in an annual benefit of CNY 2.2 million in 2012, increasing to CNY 3.60 million in 2020.

5. **Subregional Context.** The proposed railway is the shortest east–west railway link providing land access to Europe through Kazakhstan. The Project will promote railway and multimodal transport of goods and people in the region and thus support regional cooperation. MOR has agreed to construct three extra-large container terminals at Qingdao, Lanzhou, Taiyuan, and container handling facilities at Yinchuan (i) attract high-value traffic on the railways; (ii) promote intermodal traffic; and (iii) encourage private sector shippers and freight forwarders to use the facility for export and import of cargo to other parts of the PRC, ports in the east, and Central Asia and Europe in the west. These will be financed by MOR and completed by 2010.

6. **Safety.** ADB policy dialogue has emphasized the need for operational reforms for the rail network, including enhancing safety by introducing safe and reliable technology; modernizing maintenance systems; and monitoring safety performance. A project component (\$13.4 million equivalent, of which \$2.6 million will be financed by the ADB loan) will promote and enhance railway safety. It will finance the procurement of operation and maintenance equipment to enhance safety and build capacity, including staff training.

7. **Signaling, E-Governance and Management Information System.** Part of ADB's policy dialogue emphasized introducing modern management systems and high-quality information systems for the PRC railway network. A project component (\$52.3 million equivalent, of which \$30.0 million will be financed by the ADB loan) will introduce a modern operating dispatch information system, linking the project train and national train reservation systems, and introducing a simulation system to monitor and analyze train performance.

⁴ US Department of Energy. 2004. *Transport Energy Data Book*, Edition 24.

⁵ The Railway Association of Canada. 2001. *Trends in Freight Energy Use and Greenhouse Gas Emissions*. (September).

⁶ International Energy Agency (IEA) and the Sustainable Mobility Project (SMP). 2004. *The IEA/SMP Model Documentation Reference Case Project*. (July).

⁷ 2005. China Statistics Press. *China Statistical Yearbook 2005*. People's Republic of China.

⁸ Discussion with Qian Yiwen, Senior Project Manager, Beijing IT Power Ltd. (UK), December 2005.

8. **Tourism.** Shanxi, Shaanxi, and Ningxia are important tourist destinations and the Project will support tourism development. Local government support to the communities, including the poor, to promote tourism business has been successful, including village home stays and handicrafts. The provincial and the local governments agreed to increase such support by reallocating some of the increased tax revenue from the Project.

9. **Opportunities for Private Sector.** The Project Company will outsource activities such as consulting services for construction supervision, testing, construction contracts, track maintenance, and industrial sidings by open competition. The Project will encourage private sector initiatives such as onboard train services, including catering, cleaning, and loading and unloading at railway stations. Station space will be developed and rented out by open competition; and private sidings, hotels, restaurants, and other logistic facilities will be encouraged in the vicinity of stations.

10. **Reforms.** ADB has engaged MOR in dialogue aimed at enhancing policy reform during the project processing and this will be continued. Under the Project, significant steps are equity participation by the three provinces and setting up a corporate entity to construct, operate, and manage the Project. ADB fact-finding Mission also explored the possibility of diversified financing sources, including strategic investors and the private sector. China Development Bank and China Construction Bank have already committed financing. Three strategic investors have expressed interest in participating in the project equity.⁹ This will be followed up. Specific measures are proposed under the Project to outsource some of the activities to date handled by railways, and involve the private sector. At the national level, abolishing one tier of railway management is a major step. MOR will continue the process of separating the core and noncore activities and rationalization of staff. The Project will bring in new technology, emphasize safety, and build capacity for MOR and the joint venture railways.

11. **Social Development Plan.** The Project will facilitate economic development, which will benefit the largely poor population, particularly women and the vulnerable. The social development action plan (SDAP) will (i) enhance project benefits; (ii) ensure adverse impacts are avoided or mitigated; and (iii) ensure economic development benefits the poor, women, ethnic minorities, and the vulnerable in an equitable and sustainable manner.

12. **Stakeholder Consultation and Participation.** Extensive consultations—including surveys—involved about 15,450 people, such as local villagers, tourists, businesspersons, transport users, and local governments (Appendix 7). This helped to (i) understand public opinion about the proposed railway; (ii) conduct the environmental, economic, and social assessments; (iii) plan resettlement; and (iv) identify the role of various stakeholders. Leading groups have been formed in the prefectures with participation from relevant government agencies, including poverty reduction offices; All-China Women's Federation; and health, civil affairs, and ethnic affairs bureaus. The local governments assured that the consultation process will be continued to finalize the design and formulate appropriate land compensation, relocation, and rehabilitation measures.

13. **Small Business Development Opportunities.** The Project includes 41 railway stations, which will be connected to villages, townships, and counties by roads and other transport networks. These stations and the station access roads, construction of access roads, and link roads will help develop small businesses and commercial activities, including setting up small

⁹ China Communication Construction Engineering Group, Beijing; China Engineering Construction Group, Beijing; and Shaanxi Province Hualong Energy Limited Liability Company, Xi'an.

shops, kiosks, local handicraft shops, and areas where local people can sell local fruits and agro-products. The local governments assured that the railway stations and surrounding areas will be developed with local communities to promote local businesses, income-generating activities, and other opportunities that can benefit all communities, especially the remote poor and women; and agreed to provide entrepreneurial training and start-up capital (microfinance) for small businesses to local people.

14. **Employment Opportunities for Local People.** About 453,000 person-years of work will be created for unskilled laborers during construction, of which 50% or more will be targeted at poor, resettlement-affected people, women, ethnic minorities, and other vulnerable people totaling 217,500 person-years with total wages of CNY1,631 million. The use of locally produced materials for railway construction will generate an additional 83,000 person-years of work for unskilled laborers, with total wages of CNY605.2 million. When the new railway starts full operation in 2012, an estimated 8,954 jobs will be created with total wages of CNY107.4 million annually; that will increase to 13,922 jobs and CNY289.4 million in wages by 2030. Expecting more efficient freight transport and business travels using the project railway, many enterprises in the project area are planning to expand their outputs and increase labor by an estimated 52,437 jobs as a result of the TZR. Freight traffic generated by the TZR will result in the creation of 11,500 additional jobs in 2012, increasing to 36,454 jobs in 2030. The poverty reduction offices and Women's Federations will tailor their programs to ensure sustained gains from employment, and income-generating activities from the railway project are targeted at the poor and vulnerable by providing training and capacity building.

15. **Complementary Development Initiatives.** To enhance development impacts in the project area, the Mission had extensive discussion with Shanxi, Shaanxi, and Ningxia provincial and local governments to provide road access, electricity, good drinking water, and telephone connectivity to all the poverty villages along the alignment. The respective provincial and local governments agreed to include these in the 11th FYP. The local governments agreed, in principle, to provide road access to 338 villages, electricity supply to 78 villages, drinking water to 1,573 villages, and telephone connections to 1,197 villages by the end of the 11th FYP (2010). The mission also dialogued with local governments to reallocate part of the construction tax revenue (3.4% of the civil works contract value) to undertake development programs in the project area. The local governments agreed to reallocate part of the tax revenue to relevant agencies to undertake development programs in the project area.

II. COST ESTIMATES AND FINANCING PLAN

A. Project Investment Plan

16. The project investment cost is estimated at the equivalent of \$3,752.9 million, comprising foreign exchange costs of \$1.080 billion (28.8%) and local currency costs of the equivalent of \$2.673 billion (71.2%). Table 1 summarizes the project investment plan and details are in Appendix 1. The cost estimates are based on quantities derived from preliminary engineering designs and unit rates reflecting market prices for goods and materials; and include the costs of land acquisition and resettlement, and environmental monitoring.

Table 1: Project Investment Plan
(\$ million)

Item	Total
A. Base Cost	
1. Railway Civil Works and Track Work	2,097.7
2. Telecommunications	130.3
3. Electric Power and Traction	214.3
4. Buildings and Facilities	29.0
5. Safety Component	13.4
6. Signaling, E-Governance and MIS	52.3
7. Land Acquisition and Resettlement	183.1
8. Environmental Protection	143.1
9. Consulting Services, Administration, and Training	130.1
10. Temporary Facilities and Transitional Work	40.2
11. Other Equipment and Facilities	8.9
Subtotal (A)	3,042.4
B. Contingencies	
1. Physical Contingencies	170.4
2. Price Contingencies	147.1
Subtotal (B)	317.5
C. Financing Charges During Construction	393.0
Total (A+B+C)	3,752.9

MIS = management information system.

Source: Asian Development Bank estimates.

B. Financing Plan

17. The Government has requested a loan of \$300 million from ADB's ordinary capital resources to help finance the Project. The loan will have a 26-year term, including a grace period of 6 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.75% per annum, conversion options that may be exercised in accordance with ADB's loan regulations and conversion guidelines, and such other terms and conditions set forth in the Loan Agreement. The front-end fee will be waived. The Government has provided ADB with (i) reasons for its decision to borrow under ADB's LIBOR-based lending facility on the basis of these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

18. ADB will finance 100% of the contract packages procured under the ADB loan. MOR will finance the remaining foreign exchange cost. The local currency cost will be financed by MOR, Shanxi and Shaanxi provincial governments (SPG and SAPG), NHAR, and cofinancing through two loans from the China Development Bank and China Construction Bank. The two banks have appraised the Project and provided a commitment letter to MOR. The China Development Bank loan is repayable over 20 years, including a grace period of 5 years, at a lending rate currently at 5.5% per annum. The China Construction Bank loan is repayable over 15 years, including a grace period, at a lending rate currently at 5.5% per annum. SAPG, SPG, and NHAR will finance the land acquisition and resettlement costs; this will be their equity contribution. The allocation of loan proceeds in the Loan Agreement will be presented with reference only to total expenditure, in accordance with the policy on *Cost Sharing and Eligibility for Asian*

*Development Bank Financing: A New Approach.*¹⁰ A summary of the financing plan is in Table 2 and details are in Appendix 1.

Table 2: Financing Plan
(\$ million)

Source	Total	%
Asian Development Bank	300.0	8.0
MOR, SPG, SAPG, and NHAR	1,314.4	35.0
China Development Bank	1,606.3	42.8
China Construction Bank	532.2	14.2
Total	3,752.9	100.0

MOR = Ministry of Railways, NHAR = Ningxia Autonomous Region government, SAPG = Shaanxi provincial government, SPG = Shanxi provincial government.
Source: Asian Development Bank estimates.

C. Allocation of Loan Proceeds

19. The Allocation of Loan Proceeds and the basis for withdrawal from the loan account are in Table 3.

Table 3: Allocation of Loan Proceeds

CATEGORY				ADB FINANCING
Number	Item	Amount Allocated (\$)		Percentage and Basis for withdrawal from the Loan Account
		Category	Percentage	
1	Equipment	113,900,000	100	percent of total expenditure
2	Materials	157,400,000	100	percent of total expenditure
3	Consulting Services	400,000	100	percent of total expenditure
4	Unallocated	28,300,000		
	Total	300,000,000		

20. Notwithstanding the allocation of loan proceeds and withdrawal percentages in Table 3, (a) if the amount of the Loan allocated to any category appears to be insufficient to finance all the agreed expenditures in that category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and (b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

III. IMPLEMENTATION ARRANGEMENTS

A. Executing and Implementing Agencies

1. Executing Agencies

¹⁰ ADB. 2005. *Cost Sharing and Eligibility for Asian Development Bank Financing*. Manila.

21. MOR will be the Executing Agency responsible for overall project implementation. The Foreign Capital and Technical Import Center, under MOR, will coordinate the project management office's tasks and be responsible for procurement, withdrawals, and reporting vis-à-vis ADB. MOR is in the process of setting up a project company (the Project Company), a limited liability company under the PRC Company Law, which will be the project Implementing Agency.

2. Project Company

22. The Project Company will (i) manage and operate the project railway after completion of the construction; and (ii) develop and implement adequate and transparent business development mechanisms, and accounting and reporting systems. A project leading group headed by a director general and assisted by an adequate number of suitably qualified professional staff has been established. It is undertaking the preparatory work of setting up the Project Company and is setting up the on-site construction management offices along the project route. The staff is experienced in railway engineering, financial, and administrative matters; and implementing projects financed by international financial institutions. This leading group will be merged with the Project Company once it is established. To develop the Project Company's project management, business development, and marketing capacity, further assistance will be provided by the project-financed consulting services. Setting up the Project Company is a condition for disbursement. The financial assessment questionnaire indicates that the Project will have an adequate financial management system in place. The organizational chart for the Project is in Appendix 2

IV. IMPLEMENTATION SCHEDULE

23. The Project will be implemented over about 6 years from July 2006 to June 2012. Civil works will be completed in about 4 years. Trial operations will start in July 2011 and last for 1 year before commercial operations begin (Appendix 3).

V. CONSULTANT RECRUITMENT

24. The Government will engage and finance qualified domestic consultants for (i) detailed project design; (ii) preparation of technical specifications; (iii) construction supervision; (iv) construction quality assurance; (v) environmental supervision and management; (vi) monitoring and evaluation of the resettlement plan; and (vii) socioeconomic impact assessment, evaluation of poverty reduction, and project performance monitoring.

25. The ADB loan will be used to finance 10 person-months of international consulting services to strengthen institutional, marketing, and business development functions of the Project Company. Terms of reference for the international consultants—to be recruited using the quality- and cost-based method and simplified technical proposal, in accordance with ADB's *Guidelines on the Use of Consultants* are in Appendix 4. The provisions of ADB's anticorruption policy will be included in all invitation documents and contracts for international consultants. The complete set of ADB's standard request for proposal (RFP) for the recruitment of consulting firms under ADB-financed loan projects can be downloaded from ADB website: <http://www.adb.org/Consulting/documents.asp>.

VI. PROCUREMENT

26. All ADB financed procurement will follow ADB's *Procurement Guidelines*. ADB will finance procurement of materials and equipment as described in the procurement plan (Appendix 5). Contracts valued in excess of \$1 million will be procured through international competitive bidding (ICB). Contracts valued at less than \$1 million may follow ICB, national competitive bidding (NCB), or limited international bidding (LIB) as determined by the particular circumstances of the contract package. Below \$100,000, procurement may follow the shopping procedure. MOR will select tendering companies on a competitive basis to handle international bidding. The relevant sections of ADB's anticorruption policy¹¹ will be included in all documents and contracts during bidding for, and implementation of, the Project.

27. ADB's *Guidelines for Procurement* require the use of appropriate Standard Bidding Document (SBD) issued by ADB for the procurement of ADB-financed civil works, goods and related services. These SBDs and other procurement documents are posted in the internet <http://www.adb.org/Procurement/prequalification-bid-documents.asp>.

VII. DISBURSEMENT PROCEDURES

28. The ADB loan will be disbursed in accordance with ADB's *Loan Disbursement Handbook*¹² and relevant guidelines including procedures for Libor-based loan. Since most payments will be made for large contracts well above \$100,000, direct payment, reimbursements, and commitment procedures will be used. If the Government initially funds eligible expenditures, ADB's reimbursement procedure will be followed. To facilitate disbursements, MOR requested an imprest account¹³ after loan effectiveness. Disbursements from the imprest account will be supported by an appropriate withdrawal application and related documentation. The ceiling of the imprest account will be set as either the estimated expenditures for the next 6 months or 10% of the loan amount, whichever is lower. The statement of expenditures procedure will be used for liquidation of imprest account and reimbursement of eligible expenditures for any individual payment not exceeding \$200,000. Withdrawal applications and other loan disbursement information are available at ADB Controller's Department's website, <http://fis.adb.org>.

VIII. PROJECT MONITORING AND EVALUATION

29. MOR agreed to a set of indicators for evaluating project performance in relation to its impacts, outcomes, outputs, and conditions. The indicators, to be reviewed at the start of project implementation, include (i) economic development and socioeconomic indicators, (ii) transport costs and time for passenger and freight services, (iii) transport services and transport charges, (iv) accident rates, (v) financial sustainability, (vi) county and/or village incomes, (vii) access to social services, and (viii) jobs created in construction and maintenance. At the beginning of project implementation, MOR and the Project Company will establish baseline and target values for the indicators. The indicators will be measured at project inception, completion, and 3 years later; and compared with the baseline. Where relevant, indicators will be disaggregated by gender (Appendix 6). MOR will recruit qualified consultants for monitoring and evaluation to help establish the monitoring and evaluation system, and train the Project Company staff in its use. The main sources of data include (i) secondary data from government sources, (ii) household

¹¹ ADB. 1998. *Anticorruption Policy*. Manila.

¹² 2001. ADB. *Loan Disbursement Handbook*. Manila.

¹³ Imprest accounts are used in three ongoing loans in the PRC. The utilization performance is satisfactory.

socioeconomic sample survey, and (iii) participatory rapid appraisal. MOR will submit a report summarizing the key findings of monitoring at inception, completion, and 3 years later to ADB.

IX. REPORTING REQUIREMENTS

30. The Project Company will make satisfactory arrangements for reporting the progress of project implementation by submitting quarterly progress reports (QPR) through MOR. Within 3 months of completion, MOR will submit a project completion report to ADB. The suggested format and content of EA progress reports is provided in Appendix 7.

X. AUDITING REQUIREMENTS

31. The Project Company will maintain separate accounts for the Project and have such accounts and related financial statements audited annually by an external auditor in accordance with auditing standards acceptable to ADB. The Project Company, through MOR, will submit to ADB, within 6 months after the end of each fiscal year, certified copies of such audited project accounts and financial statements and auditor's reports, all in English. The audit of such financial statements will include (i) an assessment of the adequacy of accounting and internal control systems with respect to project expenditures and other financial transactions, (ii) an assessment of compliance with loan covenants and ADB requirements for project management, and (iii) an opinion on the use of the statement of expenditures procedure. The Project Company will also submit its audited financial statements covering income statements, balance sheets, and cash-flow statements during the first 3 years of commercial operations of the project railway within 6 months after the end of each fiscal year. To ensure that the effective internal control system and checks and balances mechanism are put in place, the Project Company will establish an internal audit unit within the company. The unit will independently test financial transactions to ensure the safe custody of the project-financed assets and report directly to the Project Company's board of directors. A Sample Audit Letter is in **Appendix 8**

XI. CONTRACT AWARDS AND DISBURSEMENT PROJECTIONS

32. To effectively monitor Project implementation, it is necessary to have accurate projections of contract awards/commitments and disbursements. Accurate disbursement projection also helps ADB in its cash flow and portfolio management. A comparison of such projections with the actual achievements will reveal impediments to smooth implementation and help determine the remedial measures. For this purpose, annual projections of contract awards and disbursements with quarterly breakdowns for each contract for the entire project period shall be prepared and submitted **every 15 December** during project implementation.

XII. MAJOR LOAN COVENANTS

33. The major loan covenants for this Project are detailed in Schedule 5 of the Loan Agreement. The list of major loan covenants is given in **Appendix 9**. The status of compliance including actions taken to comply with the covenants should be indicated in the appropriate column. These should also be updated and appended to the QPR.

A. Condition for Disbursement

34. The following will be a condition for disbursement:

- (i) MOR, SPG, SAPG, NHAR and other stakeholders, if any, shall have incorporated the Project Company; and
- (ii) The Government shall have furnished to ADB documentary evidence satisfactory to ADB that the Project Company has been incorporated by MOR, SPG, SAPG, NHAR and other stakeholders, if any.

XIII. KEY PERSONS INVOLVED IN THE PROJECT

35. The Department responsible for the implementation of the Project is the East Asia Department (EARD), represented by the Transport Division (EATC). EATC has the overall responsibility for the implementation of the Project in ADB.

A. ADB Staff

Transport Division (EATC)
East Asia Department (EARD)

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XIV. ANTICORRUPTION

36. ADB's anticorruption policy was explained to, and discussed with the Government. Consistent with its commitment to good governance, accountability and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB's anticorruption policy are included in the loan regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of MOR, the Project Company and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

COST ESTIMATES AND FINANCING PLAN
(\$ million)

Item	Cost Estimates			Financing Plan		
	Foreign Exchange	Local Currency	Total Cost	ADB	CDB/CCB	MOR/Provinces
A. Base Cost						
1. Civil Works	542.5	1,265.8	1,808.3	0.0	1,590.0	218.3
2. Railway Track Work ^b	174.7	196.9	371.6	111.7	259.9	0.0
3. Buildings and Facilities	1.4	27.6	29.0	0.0	29.0	0.0
4. Signaling and Communications	93.0	67.3	160.3	93.0	67.3	0.0
5. Electric Power and Traction	90.0	124.3	214.3	43.0	171.3	0.0
6. Safety Component	7.1	6.3	13.4	7.1	6.3	0.0
7. E-Governance and MIS	11.8	10.5	22.3	11.8	10.5	0.0
8. Land Acquisition and Resettlement	0.0	100.9	100.9	0.0	0.0	100.9
9. Other Equipment and Facilities	4.7	4.2	8.9	4.7	4.2	0.0
10. Administration, Consulting Services, and Miscellaneous	19.5	110.6	130.1	0.4	0.0	129.7
11. Environmental Protection, Mitigation, and Monitoring	0.0	143.1	143.1	0.0	0.0	143.1
12. Temporary Facilities and Transitional Works	0.0	40.2	40.2	0.0	0.0	40.2
Subtotal (A)	944.7	2,097.7	3,042.4	271.7	2,138.8	632.2
B. Contingencies						
1. Physical Contingency ^c	52.9	117.5	170.4	15.2	0.0	155.2
2. Price Contingency ^d	34.7	112.4	147.1	13.1	0.0	134.0
Subtotal (B)	87.6	229.9	317.5	28.3	0.0	289.2
C. Interest^e during Construction	47.9	345.1	393.0	0.0	0.0	0.0
Total	1,080.2	2,672.7	3,752.9	300.0	2,138.5	1,314.4

ADB = Asian Development Bank, CCB = China Constitution Bank, CDB = China Development Bank, MOR = Ministry of Railways, NARG= Ningxia Autonomous Region government, SPG = Shanxi provincial government, SAPG = Shaanxi provincial government.

^aAt 2005 prices. Import taxes and duties are waived.

^bIncluding rails, sleepers, ballast, bridge beams, track laying, and bridge construction.

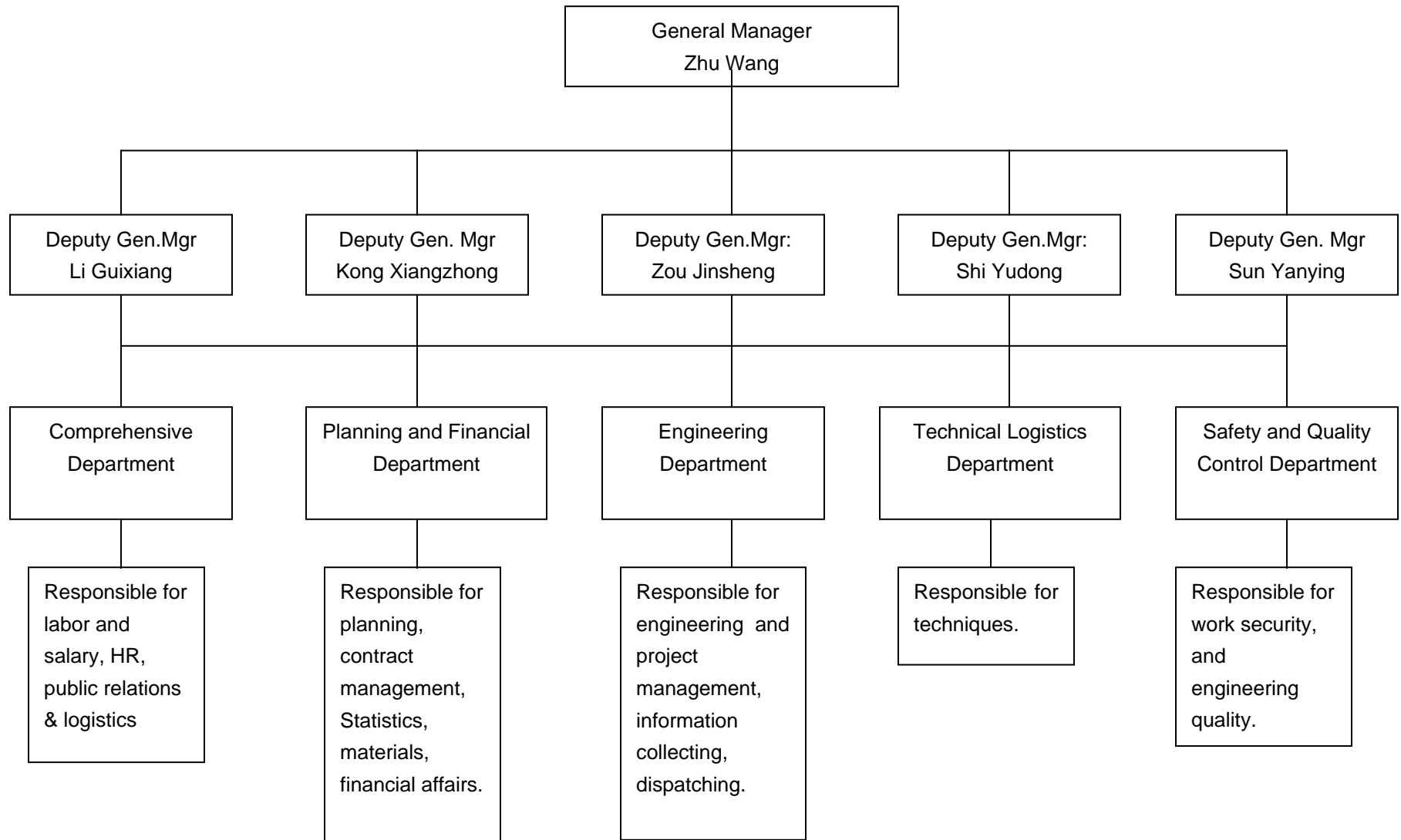
^cAt 5.6% of the base cost.

^dlocal inflation rate 3.3% and 3.2% for 2006 and 2007, respectively and at 3% thereafter, foreign inflation rate 2.8% for 2006 and 1.9% thereafter.

^eThis is based on the prevailing United States dollar 5-year swap rate plus a spread for the ADB loan and the prevailing interest rate for the China Development Bank.

Source: Asian Development Bank estimates.

Organization Structure of Tai-Zhong-Yin Railway Company



JOB DESCRIPTIONS

SENIOR MANAGEMENT POSITIONS OF PROJECT LEADING GROUP

<p>Position:</p> <p>Department:</p> <p>Reporting to:</p> <p>Responsibilities:</p> <p>Core Competencies</p>	<p>General Manager / Director General</p> <p>MOR.</p> <p>Has the prime responsibility for delivering the ZXRC project, achieving its financial and business targets, and providing the vision and leadership to the Company that is being developed.</p> <p>The General Manager must have:</p> <ul style="list-style-type: none"> – A proven track record in managing a large railway project; – Excellent leadership skills and ability to motivate staff at all levels; – A high technical profile in civil engineering or business field with appropriate academic and professional qualifications and substantial technical experience; – A demonstrated ability for team working and building relationships with professionals across the Company; – Good communication skills; – A proven ability to deliver outputs to the required quality, on time and on budget.
<p>Position:</p> <p>Department:</p> <p>Reporting to:</p> <p>Responsibilities:</p> <p>Core Competencies</p>	<p>Head of Finance and Planning Department</p> <p>Finance Department</p> <p>The General Manager /Director General</p> <p>The head of the finance department will be responsible for overseeing the recording and updating of all financial transactions of the company including preparation of financial statements to inform all the stakeholders including the ADB of the performance of the company.</p> <p>The Finance Director will have:</p> <ul style="list-style-type: none"> – A proven track record in providing strategic financial and accounting advice and services; – Good leadership skills and ability to motivate a team; – A demonstrated ability for team working and building relationships with professionals across all the F&C Division's areas of responsibility; – Senior management experience, in the railway sector; – Good MIS skills, with a good knowledge of accounting systems in general; – A proven ability to deliver outputs to the required quality, on time and on budget; – Appropriate academic and/or professional qualifications.
<p>Position:</p> <p>Department:</p> <p>Reporting to:</p> <p>Responsibilities:</p>	<p>Head of Comprehensive Department</p> <p>Administration Department/ Comprehensive</p> <p>The General Manager/ Director General</p> <p>The Vice-Director for Comprehensive Department will have the primary responsibility of overseeing all aspects of management. Responsible for all communications.</p>

Core Competencies The Head of

- Good leadership skills;
- Experience in the management;
- Good MIS skills;
- A proven ability to deliver outputs to the required quality, on time and on budget;
- Appropriate academic and/or professional qualifications.

Position: **Head of Technical and Logistics Department**
 Department: **Technology Department**
 Reporting to: The General Manager/ Director General
 Responsibilities: For developing and maintaining the new systems, engineering, equipment technology and hardware throughout the Company.

Core Competencies The Vice Director will have:

- A proven track record in managing technology in railways;
- Good leadership skills and ability to motivate a team;
- High technical knowledge;
- Experience in the design and delivery of large infrastructure project;
- Ability to deliver outputs to the required quality, on time and on budget;
- Appropriate professional qualifications.

Position: **Head of Legal Department**
 Department: **Legal Department**
 Reporting to: The General Manager
 Responsibilities: For all legal matters, including but not limited to, contracts that will bind the company such as privatizing part or the whole operations of the company through joint venture or contracting to third parties for credit and collections.

Core Competencies The Head of Legal will have:

- Good leadership skills and ability to motivate a team;
- At least five years experience as corporate lawyer in a large infrastructure organization preferably in the private sector with extensive knowledge of joint ventures and contracting arrangements. Good communication and organisational skills;
- Advanced university degree in law/ with excellent knowledge of community law

IMPLEMENTATION SCHEDULE

Item	2005			2006			2007			2008			2009			2010			2011			2012																									
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
1 Detailed Design, Engineering, and Documentation	█																																														
2 Prequalification and Tendering				█			█			█																																					
3 Land Acquisition and Resettlement				█			█			█			█																																		
4 Civil Works and Buildings				█			█			█			█			█																															
5 Track Laying										█			█			█																															
6 Telecommunications and Signalling													█			█			█																												
7 Trial Operations																						█			█																						

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Introduction

1. The objective of the Project is to promote sustainable economic growth by enhancing transportation capability in an unserved area, thereby creating employment and income-enhancing opportunities, raising incomes, and reducing poverty. To achieve this objective, a corporate entity is being set up to construct, operate, and manage the Project; and assist in facilitating economic developments, such as tourism, as well as value-added and labor-intensive industries in the project area. The consulting services is to assist in strengthening institutional, marketing, and business development functions of the Project.

B. Scope

2. The consultants will (i) help with institutional strengthening of the Project Company for its successful operation in a market environment; (ii) determine the level of tourism, industry and market development expertise of the Project Company; (iii) research programs and incentives available for attracting tourist and related industry at the county, prefecture, and province levels; (iv) meet with a selection of potential shippers located or planning to locate along the route of the TZR; (v) meet with business people of Taiyuan, Luoyang, Yulin, Zhongwei, and Yinchuan to determine current operations and future inland transport requirements including for export to Central Asia and Europe; (vi) develop plans for improving railway services, for passengers (including tourists) and freight (particularly container services); (vii) propose measures to develop industrial sidings; and (viii) improve marketing of railway services to targeted customers both passenger and freight. The consultants will recommend actions and changes including institutional efforts to make the Project Company more market oriented and competitive. The international consultants will be recruited in accordance with Asian Development Bank (ADB) *Guidelines on the Use of Consultants*.

C. Expertise and Cost Estimates

3. About 10 person-months of international consulting services will be engaged using the simplified technical proposal procedures based on quality- and cost-based selection in accordance with ADB Guidelines on the Use of Consultants. The provisions of the ADB anticorruption policy will be included in all invitation documents and contracts for international consultants. The international consultants will have expertise in institutional development, marketing, international trade, and railway operation. The loan will finance the services of the international consultants.

4. MOR and the Project Company will (i) assign appropriate counterpart staff to liaise with and facilitate the work of consulting services; (ii) provide suitable office accommodation and communications facilities commensurate with requirements; (iii) assist the consultants in scheduling field visits and discussions with field agencies in connection with the study; and (iv) provide all facilities, documentation, and assistance as may be reasonably requested by the consultants to complete the work.

PROCUREMENT PLAN

(\$ million)

Description	Amount (\$ million)	Procurement Mode	Prior Review
A. Track Work (10 packages)			
Railway Materials (including rails, sleepers, turnouts, fastenings)	157.4	ICB	Yes
B. Equipment (various packages)			
1. Electric Power and Traction	75.9	ICB/NCB/LIB/Shopping	Yes
2. Telecommunications	5.4	ICB/NCB/LIB/Shopping	Yes
3. Signaling, E-Governance and Management Information System	30.0	ICB/NCB/LIB/Shopping	Yes
4. Safety Component	2.6	ICB/NCB/LIB/Shopping	Yes
Subtotal (B)	113.9		
C. Consulting Services	0.4	QCBS	
D. Contingencies	28.3		
Total	300.0		

ICB = international competitive bidding, LIB = limited international bidding, NCB = national competitive bidding, QCBS = quality and cost based selection.

Note: Contracts valued in excess of \$1,000,000 for materials and equipments will be procured through ICB. Contracts valued at less than \$1 million may follow ICB, NCB, or LIB as determined by the particular circumstances of the contract package. Below \$100,000, procurement may follow the Shopping procedure.

Source: Asian Development Bank estimates.

PROJECT PERFORMANCE MANAGEMENT SYSTEM

	Monitoring Tool	Major Indicators to be Monitored (Baseline and target figures to be incorporated into PAM)	Monitoring Agency	Accountable Agency	Reporting Frequency Submission Due Date
Sustainability	Socioeconomic Monitoring Report	<ul style="list-style-type: none"> • Population, poverty incidence, literacy rate • Infant mortality, maternal mortality, school enrollment • Number of hospitals/clinics, number of schools • Update of poverty reduction program of each county 	Project Company	MOR, Project Company	Annually
		<ul style="list-style-type: none"> • GDP, GDP per capita, retail prices of a selection of commodities • Station area land prices, local government revenue • Local price escalation, net income per capita • Fixed asset investment for roads • Number of registered enterprises • Number of township enterprises, number of markets 	Project Company	MOR, Project Company	(up to 3 years after physical completion)
		<ul style="list-style-type: none"> • Progress of development of local road network • Road density by approximate distance from a station • Number of villages without roads/good drinking water/electricity/telephone line • Number of HIV/AIDS cases in the project area 			The indicators will be collected for the following groups: (i) sample on-route townships; (ii) county; and (iii) city
Viability	Operation Report	<ul style="list-style-type: none"> • Traffic volume/train speed • Number of personnel • Revenues/expenses • Average travel speed 	Project Company	MOR, Project Company	Annually (up to 3 years after final acceptance)
	APA AFS	<ul style="list-style-type: none"> • Audited project accounts • Audited financial statements of the Project Company • External auditor's checklist 	CNAO	MOR, Project Company	AFS: same as operation report APA: same as quarterly progress report
	Notice	<ul style="list-style-type: none"> • Notice to proceed/Notice of resettlement completion/Notice of provisional and final acceptance of the facilities 	Project Company	MOR, Project Company	Within a reasonable time
Sustainability	Environmental Monitoring and Evaluation Report	<ul style="list-style-type: none"> • Water quality: suspended solids, BOD, oil and grease for earthwork/ erosion control, sewage, and pollution from construction equipment and locomotives (PM, SO₂, and NO_x) • Clearing of vegetation and revegetation, especially any old-growth trees • Regional air quality (PM, SO₂, NO_x) • Secondary development projects 	To be nominated	MOR, Project Company	Semiannually until 2 years after provisional acceptance

	Monitoring Tool	Major Indicators to be Monitored (Baseline and target figures to be incorporated into PAM)	Monitoring Agency	Accountable Agency	Reporting Frequency Submission Due Date
Sustainability	Resettlement Monitoring & Evaluation Reports (External)	<ul style="list-style-type: none"> • Sample household incomes (restoration) • Sample village incomes • Opinion surveys • Rehabilitation measures • Training progress • Complaints, grievance, and responses • Ethnic minority/vulnerable groups/gender 	To be selected by bidding	MOR, Project Company	Semiannual reporting during implementation and annual evaluation reports thereafter for at least 2 years
Sustainability	Resettlement Progress & Completion Report (Internal)	<ul style="list-style-type: none"> • Implementation schedule • Number of signed household land acquisition agreements • Compensation payments • Removal of houses/construction of new houses • Transfer of land • Rehabilitation measures • Complaints, grievance, and responses • Resettlement budget and disbursements 	RCSOs and Project Company	MOR, Project Company	Quarterly until completion of resettlement within 3 months from the end of each quarter One completion report when implementation is complete
Sustainability	Social Development Action Plan Reports	<ul style="list-style-type: none"> • Physical and expenditure progress of SDAP actions, especially: <ul style="list-style-type: none"> (i) Employment of local people and poor in construction and related jobs by gender and ethnic group (Han or Hui) (ii) Station area development and jobs provided for the poor (iii) Training programs provided for poor, by gender and ethnicity (iv) HIV/AIDS awareness and prevention programs (v) Local tourism development and local employment benefits 	Project Company and local government	Project Company and local government	Annually during project implementation and result evaluated as part of the project completion report
Technical Feasibility	Quarterly Progress Report	<ul style="list-style-type: none"> • Implementation schedule • Contract award • Disbursements • Physical progress by contract • Update of project cost estimate • Number of poor for unskilled local labor • Workers safety/accidents at construction sites 	Project Company	MOR, Project Company	Quarterly until the quarter in which physical completion takes place, or the loan account with ADB is closed, whichever is later. Within 3 months from the end of each quarter
All	Midterm Review	<ul style="list-style-type: none"> • Evaluation of various aspects of project implementation including technical, environmental, resettlement, social, institutional, economic and financial, and sector performance 	Project Company	MOR (FCTIC) and Project Company	In third year from the signing of the Loan Agreement
All	PCR	<ul style="list-style-type: none"> • Evaluation of various aspects of project implementation including technical, environmental, resettlement, social, institutional, economic and financial, and sector performance 	Project Company	MOR (FCTIC) and Project Company	Within 3 months after physical completion

ADB = Asian Development Bank, AFS = audited financial statement, APA = audited project accounts, BOD = biochemical oxygen demand, CNAO = China National Audit Office, FCTIC = Foreign Capital and Technical Import Center, GDP = gross domestic product, MOR = Ministry of Railways, NO_x = nitrogen oxides, PAM = project administration memorandum, PCR = project completion report, PM = particulate matter, RCSO = Railway Construction Support Office, SO₂ = sulfur dioxide.

Source: Asian Development Bank estimates

Pro Forma of the Executing Agency's Project Progress Report

A. Introduction and Basic Data

Provide the following:

- ADB loan number, project title, borrower, executing agency(ies), implementing agency(ies);
- total estimated project cost and financing plan;
- status of project financing including availability of counterpart funds and cofinancing;
- dates of approval, signing, and effectiveness of ADB loan;
- original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
- date of last ADB review mission.

B. Utilization of Funds (ADB Loan, Cofinancing, and Counterpart Funds)

Provide the following:

- cumulative contract awards financed by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- cumulative disbursements from the ADB loan, cofinancing, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

Provide the following:

- status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
- other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

Provide the following:

- assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;
- information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;

progress or achievements in implementation since the last progress report; assessment of the progress of each project component, such as,

- recruitment of consultants and their performance;
- procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
- the performance of suppliers, manufacturers, and contractors for goods and works contracts;

assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress including examples are shown in Appendix 2); and

an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

Provide the following:

the borrower's compliance with policy loan covenants such as sector reform initiatives and EA reforms, and the reasons for any noncompliance or delay in compliance;

the borrower's and EA's compliance with financial loan covenants including the EA's financial management, and the provision of audited project accounts or audited agency financial statements; and

the borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

SAMPLE AUDIT LETTER

ASIAN DEVELOPMENT BANK

East Asia Department
Transport Division[Date]¹[The Borrower]
Dear Sir or Madam:**Subject: 2274-PRC: Taiyuan-Zhongwei Railway Project
FINANCIAL REPORTING AND AUDITING REQUIREMENTS**

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by the ADB* (the Booklet) is enclosed to guide you.

ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes for which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

For this particular loan, the requirements are stipulated in sections _____² and _____³ of the Loan Agreement of _____ between ADB and [the Borrower] and sections _____⁴ and _____⁵ of the Project Agreement⁶ of _____ between ADB and [name of the EA].⁷ Copies of the Loan/Project Agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

The following are the main requirements:

- ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the loan funds were used only for the objectives set out in the Loan or Project Agreements. The project accounts comprise the following:⁸

The first set of project accounts to be submitted to ADB covers the fiscal year ending _____. As stipulated in the Loan or Project Agreements, they are to be submitted up to _____ months after the end of the fiscal year. For this loan, the deadline is by _____. A sample report format with explanatory notes, is attached as Annex A.

- The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please advise your external auditor to comment on the impact of any deviations, by [name of the Executing Agency] from international accounting standards.

- Please ensure that your external auditor specifies in the Auditor's Report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the Auditor's Report by disclosing the key audit procedures followed. Your external

auditor is also to state whether the same audit procedures were followed for all supplementary financial statements submitted.

ADB wishes that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, request that your external auditor to indicate in the Auditor's Report the extent of any differences and their impact on the audit.

- The external auditor's opinion is also required on whether
 - the proceeds of the ADB's loan have been utilized only for the project as stated in the Loan Agreement;
 - the financial information contains data specifically agreed upon between [name of the Borrower or EA] and ADB to be included in the financial statements;
 - the financial information complies with relevant regulations and statutory requirements; and
 - compliance has been met with all the financial covenants contained in the Loan or Project Agreements.
- The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- Actions on deficiencies disclosed by the external auditor in its report are to be resolved by [name of Borrower or Executing Agency] within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by [name of Borrower or EA].

Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Nigel C. Rayner
Director
Transport Division
East Asia Department

cc: (EA)
(External auditor of the Borrower or EA)

- 1 The audit letter, with the loan and project agreements, is sent to the borrower when the auditor has been appointed or when the agreements are sent by the program department to the Ministry of Finance or other authority of the borrower.
- 2 Specify section no. in the loan agreement on maintaining project accounts and records.
- 3 Specify section no. in the loan agreement on the audit requirements.
- 4 Specify section no. in the project agreement on maintaining project accounts and records.
- 5 Specify section no. in the project agreement on the audit requirements.
- 6 If there is a project agreement.
- 7 When more than one project agreement, provide similar information.
- 8 Listed are standard accounts required from nonrevenue-earning entities. Try to identify specific titles of financial statements expected to be submitted by the Borrower and EAs. For revenue-earning entities, the submissions consist of the entities' audited financial statements. For nonrevenue-earning entities, the submissions consist of audited project accounts.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference	Status of Compliance
<p>1. <u>Project Executing Agency & Implementing Agency</u> MOR shall be the Project Executing Agency, responsible for overall implementation of the Project. The Project Company shall be the Implementing Agency, responsible for day-to-day implementation of the Project through the on-site Construction Management Units set up along the route of the Project Railway. The Project Company shall operate and maintain the Project Railway after completion of the construction, develop an implement adequate and transparent business development mechanisms and accounting and reporting systems. The Project Company shall employ an adequate number of suitably qualified professional staff, well experienced in railway engineering, financial and administrative matters and with past experience in implementing similar projects.</p>	<p>Loan Agreement Schedule 5 (LA), para 1</p>	<p>Complied.</p>
<p>2. <u>Role of FCTIC</u>. FCTIC shall coordinate Project management activities, undertake the procurement of the goods and services financed under the Project, apply for withdrawals, monitor utilization of Loan proceeds, and report to ADB.</p>	<p>LA, Schedule 5, para 2</p>	<p>Complied.</p>
<p>3. <u>Counterpart Financing</u>. Without prejudice to the generality of Section 4.02 of this Loan Agreement, the Borrower shall cause MOR to provide on a timely basis all funds and resources necessary for construction, operation and maintenance of the Project Railway and cover any Project cost overrun.</p>	<p>LA, Schedule 5, para 3</p>	<p>Ongoing.</p>
<p>4. <u>Change of Ownership</u>. In the event the MOR and/or the Project Company plan to (a) make any change in the ownership of the Project facilities, or of the Project Company, or (b) make any sale, transfer, or assignment of MOR's or the Project Company's direct or indirect interest in the</p>	<p>LA, Schedule 5, para 4</p>	<p>Not yet due.</p>

Covenant	Reference	Status of Compliance
<p>Project Railway, or (c) lease out, or contract out, or otherwise modify the Project Company' s responsibilities for construction, operation and maintenance of the Project Railway, the Borrower shall, at least six months prior to implementation of such transaction, consult ADB and obtain ADB's consent. The Borrower shall ensure that such transaction be implemented in a legal and transparent manner.</p>		
<p>5. <u>Construction Quality</u>. The Borrower shall cause MOR and the Project Company to ensure that the Project Railway is constructed in accordance with the Borrower's national technical standards, and that construction supervision, quality control and contract management are carried out in a satisfactory manner.</p>	<p>LA, Schedule 5, para 5</p>	<p>Ongoing.</p>
<p>6. <u>Connecting Railway Lines</u>. The Borrower shall cause MOR and the Project Company to ensure (i) the capacity enhancement operations for the connecting railway lines are completed by commencement of the commercial operations of the Project Railway; and (iii) necessary measures are promptly taken to minimize any capacity constraint on such connecting railway lines, once identified during the operation of the Project Railway, in order to ensure smooth flow of the traffic generated by the Project Railway.</p>	<p>LA, Schedule 5, para 6</p>	<p>Not yet due.</p>
<p>7. <u>Container Traffic</u>. The Borrower shall cause MOR to construct three extra large container terminals at Qingdao, Lanzhou, Taiyuan and to provide container handling facilities in Yinchuan by commencement of the commercial operations of the Project Facility.</p>	<p>LA, Schedule 5, para. 7</p>	<p>Not yet due.</p>
<p>8. <u>Supply of Rolling Stock</u>. The Borrower shall cause MOR and the Project Company to provide sufficient rolling stock, at all times, for effective operation of the Project Railway.</p>	<p>LA, Schedule 5, para. 8</p>	<p>Not yet due.</p>

Covenant	Reference	Status of Compliance
9. <u>Safety</u> . The Borrower shall cause MOR and the Project Company to ensure the safety on the Project Railway in accordance with the relevant laws and regulations of the Borrower.	LA, Schedule 5, para. 9	Ongoing.
10. <u>Safety Dissemination</u> . The Borrower shall ensure that the Project Company, in cooperation with the local governments at the prefecture, city and county levels, formulate and implement appropriate public safety campaigns through media, public announcements, household contacts and schools to familiarize people living along the Project Railway route with safety issues related to railways	LA, Schedule 5 para. 10	Ongoing.
11. <u>Station Access and Link Roads</u> . the Borrower, through, MOR shall cause the local governments at the prefecture, city and county levels to (i) construct the station access roads in a timely manner prior to the commencement of commercial operations of the Project Railway; (ii) apply ADB's Policy on Involuntary Resettlement and Policy on Indigenous Peoples in construction of such roads, and (iii) carry out any land acquisition and resettlement activity in accordance with the Resettlement Plan, as set out therein	LA, Schedule 5, para. 11	Not yet due.
12. <u>Tariffs</u> . (a) The Borrower shall ensure that MOR and the Project Company set the tariffs, with respect to the Project Railway, at rates sufficient to ensure compliance with financial covenants stipulated in para 13 of the Schedule 5, and full cost recovery including the management cost of the Project Company and the working (operation and maintenance) costs of the Project Railway, depreciation, debt service, taxes and a reasonable profit. (b) The Borrower shall also ensure that the Project Company, in consultation with MOR, carries out a tariff study six months prior to the trial operation of the Project Railway and advises ADB of the tariffs applied during such trial operation.	LA, Schedule 5 para 12	Not yet due.

Covenant	Reference	Status of Compliance
<p>13. <u>Financial Matters.</u> (a) Except as ADB may otherwise agree, the Borrower, through MOR, shall cause the Project Company to maintain, for each of its fiscal years commencing after the second fiscal year of commencement of the commercial operations of the Project Railway, (i) an operating ratio of not more than 70%, (ii) a debt service coverage ratio of at least 1.2, and (iii) a debt equity ratio of not more than 65:35 to ensure operating efficiency and financial sustainability.</p>	<p>LA, Schedule 5, para 13</p>	<p>Not yet due.</p>
<p>14. <u>Reform Measures.</u> The Borrower shall take necessary measures to continue to implement its national Railway Development Plan (2004) including (i) separation of the core railway operations from non-core transportation business operations, (ii) rationalization of staff, and (iii) encouragement of the Project Company to outsource some of its activities.</p>	<p>LA, Schedule 5, para 14</p>	<p>Not yet due.</p>
<p>15. <u>Anticorruption Measures.</u> The Borrower shall comply with and shall cause MOR and the Project Company to comply with ADB's Anticorruption Policy. The Borrower agrees that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project. In particular, the Borrower shall (a) ensure that MOR and the Project Company conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements, (b) ensure that all contracts financed by ADB in connection with the Project includes provisions specifying the right of ADB to audit and examine the records and accounts of MOR and the Project Company and all contractors, suppliers, consultants and other service providers as they relate to the Project; (c) ensure that a supervisory body is established for prevention of undue interference in business practices and adequate</p>	<p>LA, Schedule 5, para 15</p>	<p>Ongoing.</p>

Covenant	Reference	Status of Compliance
<p>resources are made available for its effective operation, (d) ensure that a leading group of officials from the Discipline Unit and Supervision Department of MOR is located in offices involved in the bidding, construction, and other operational activities under the Project, and (e) ensure that relevant provisions of ADB's Anticorruption policy are included in all bidding documents for the Project. The Borrower shall also cause MOR and the Project Company to initiate liaison meetings with the Prosecutor's Office on a needed basis, where warnings about or information on corrupt practices can be discussed.</p>		
<p>16. <u>Environmental Measures</u>. The Borrower shall cause MOR, SAPG, SPG, NHAR and the Project Company to ensure that (i) the Project is designed, constructed, operated and maintained in accordance with the environmental laws and regulations of the Borrower and ADB's Environmental Policy, (ii) the Environmental Management Program (EMP) and the mitigation measures included therein, as specified in the Environmental Impact Assessment and the Summary Environmental Impact Assessment prepared for the Project, are properly implemented, (iii) the EMP is updated at engineering design state and incorporated into bidding documents and civil works contracts, (iv) any environmental permits, licenses and clearances are obtained in a timely manner, and (v) any adverse impact on the environment that may arise from the Project implementation activities is promptly mitigated or minimized in accordance with EMP.</p>	LA, Schedule 5 para 16	Ongoing,
<p>17. <u>Land Acquisition and Resettlement</u>. The Borrower shall cause MOR, SAPG, SPG, NHAR and the Project Company to ensure that (i) the Resettlement Plan is carried out promptly and efficiently in accordance with its terms, all applicable laws and</p>	LA, Schedule 5 para 17	Ongoing.

Covenant	Reference	Status of Compliance
<p>regulations of the Borrower, and ADB's Policy on Involuntary Resettlement, (ii) all affected people, including ethnic minorities, are given adequate opportunity to participate in resettlement planning and implementation, particularly in entitlements and income restoration measure as set out in the Resettlement Plan, (ii) affected people are compensated and assisted, in accordance with the Resettlement Plan, prior to displacement from their houses, land and assets such that they will be at least as well off as they would have been in the absence of the Project, (iv) adequate and appropriate support is provided for enterprise relocation, (v) affected people receive priority for employment in Project construction, (vi) special measures are implemented for vulnerable groups, including ethnic minorities, and (vii) civil works contracts Under the Project include requirements to comply with the Resettlement Plan, the applicable laws and regulations of the Borrower and ADB's Policy on Involuntary Resettlement to the extent applicable to such contracts.</p>		
<p>18. The Borrower shall cause MOR, SAPG, SPG, NHAR and the Project Company to ensure that (i) funds needed for land acquisition and resettlement, including those for cost overruns, are allocated and disbursed in a timely manner, (ii) the Resettlement Plan is updated, disclosed to the affected people, submitted to ADB for its review and approval prior to land acquisition commencing, and (iii) ADB is promptly advised of any substantial changes in the resettlement impacts, and if necessary, a revised resettlement plan is submitted to ADB for concurrence.</p>	<p>LA, Schedule 5 para 18</p>	<p>Ongoing.</p>
<p>19. The Borrower shall (i) ensure that MOR, SAPG, SPH, NHAR and the Project Company effectively supervise the Resettlement Plan, (ii) cause MOR and the Project Company to ensure that adequate staff and resources are committed to</p>	<p>LA, Schedule 5 para 19</p>	<p>Ongoing.</p>

Covenant	Reference	Status of Compliance
<p>supervising and monitoring the implementation of the Resettlement Plan, (iii) ensure that an independent agency acceptable to ADB is engaged by the Project Company to monitor progress semi-annually and to evaluate results through annual survey updates during two years after the completion of resettlement, and forward reports to MOR, the Project Company and ADB, and (iv) ensure that data are disaggregated by gender, and monitoring focuses on gender impacts and vulnerable groups are incorporated.</p>		
<p>20. <u>Poverty Reduction</u>. The Borrower shall ensure that MOR and the Project Company cause the contractors involved in the Project implementation to maximize employment of local poor persons, including ethnic minorities, who meet the job and efficiency requirements for construction of the Project Railway, Such workers shall be provided adequate on-the-job training. The Borrower shall ensure that MOR and the Project Company implement the Project in accordance with the Social Development Action Plan (SDAP) and monitor the Project's impact on poverty with the assistance of domestic consultants engaged under the Project.</p>	<p>LA, Schedule 5, para 20</p>	<p>Ongoing.</p>
<p>21. <u>Gender and Development</u>. The Borrower shall cause MOR and the Project Company (i) to implement the Project in accordance with SDAP and take all necessary actions to encourage women living the Project area to participate in planning and implementation of the Project, and (ii) to cause the contractors involved in Project implementation to comply with all applicable laws and regulations of the Borrower concerning gender equality. The Borrower shall ensure that MOR and the Project Company monitor the effects of the Project on women through collection and compilation of gender-disaggregated data, where relevant, including in the Resettlement Plan, the SDAP and the</p>	<p>LA, Schedule 5 para. 21</p>	<p>Ongoing.</p>

Covenant	Reference	Status of Compliance
Project Performance Management System.		
22. <u>Health Concerns</u> . The Borrower shall cause MOR and the Project Company to ensure that (i) contractors involved in Project implementation disseminate information on the risks of socially transmitted infections, including HIV/AIDS, to the workers they employ under the Project and to local communities, through public awareness campaign and (ii) adequate health and treatment facilities are made available nearby. The Borrower shall cause MOR, SAPG, SPG, NHAR and the Project Company to ensure that similar information is disseminated, in consultation with the relevant Health Bureaus, to railway operators.	LA, Schedule 5, para. 22	Ongoing.
23. <u>Project Performance Monitoring & Evaluation</u> The Borrower shall cause MOR and the Project Company to monitor and evaluate the Project impact through a project performance monitoring system to be established, as agreed between the Borrower and ADB, to ensure that the Project facilities are managed efficiently, benefits are maximized and social impacts are monitored. The Borrower shall also cause MOR and the Project Company to establish baseline and target values for a set of indicators for evaluating Project performance, as agreed between the Borrower and ADB, and measure the Project indicators, and compare to the baseline values, at the inception report implementation, at completion of the Project and three years thereafter. Where relevant, indicators shall be disaggregated by gender and ethnic group.	LA Schedule 5, para 23	Ongoing.
24. Project Review. ADB, MOR and the Project Company shall jointly carry out a midterm review of the Project in 2009, covering all institutional, administrative, organizational, technical, environmental, social, poverty reduction, resettlement, economic, financial and other relevant aspects that may have impact on the performance of	LA, Schedule 5, para 24	Not yet due.

Covenant	Reference	Status of Compliance
<p>the Project and its continuing viability. The midterm review shall examine progress in sector reforms, policy development, resettlement, environment, impact on ethnic minorities, vulnerable groups and women, and compliance with the assurances stated in this Loan Agreement.</p>	<p>LA, Schedule 5, para. 25</p>	
<p>25. Reporting Requirements. Without prejudice to any other provision of this Loan Agreement, the Borrower, through MOR, shall submit to ADB:</p> <ul style="list-style-type: none"> <li data-bbox="250 695 813 926">(i) The Project Company's audited accounts and financial statements during construction and in the first three years of commercial operations in the Project Railway, within six months from the end of each relevant fiscal year; <li data-bbox="250 932 813 1129">(ii) Semi-annual reports on the implementation of the EMP, including any safety breaches, violation of environmental standards and corrective measure taken thereto, in a timely manner; <li data-bbox="250 1136 813 1262">(iii) Semi-annual reports on the implementation of the Resettlement Plan and a resettlement completion report, in a timely manner; <li data-bbox="250 1268 813 1394">(iv) Annual reports on the implementation of the SDAP and the impact of the Project on poverty, in a timely manner; and <li data-bbox="250 1400 813 1600">(v) Reports summarizing the key findings of the measurement of the Project indicators against the baseline values carried out pursuant to paragraph 23 above, in a timely manner. 		

LIST OF ADB REFERENCE MATERIALS

A. Project Related

1. Report and Recommendation of the President to the Board of Directors
2. Loan and Project Agreements

B. Consultants. May be downloaded from the following website:

- <http://www.adb.org/Consulting/Documents.asp>
3. Guidelines on the Use of Consultants by ADB and Its Borrowers
 4. Handbook for Users of Consulting Services

C. Procurement. May be downloaded from the following website:

- <http://www.adb.org/Procurement/prequalification-bid-documents.asp>
5. Guidelines on Procurement under ADB Loans
 6. Guide on Bid Evaluation
 7. Prequalification of Bidders- User's Guide
 8. Handbook on Problems in Procurement for Projects Financed by ADB
 9. Standard Bidding Documents: Procurement of Goods (including related services)
 - Single-stage: One-Envelope
 - Single-stage: Two-Envelope
 - Two-stage: Two-Envelope
 - Two-stage User's Guide
 10. Guide on Prequalification of Civil Works Contractors
 11. Sample Bidding Documents – Procurement of Civil Works
 12. Sample Bidding Documents – Procurement of Civil Works (Small Contracts)
 13. Guide on Community Participation in Procurement

D. Disbursement

14. Disbursement Letter issued by Controller's Department
15. Loan Disbursement Handbook. May be downloaded from the following website:
<https://lfis.adb.org/home.asp>

E. General. May be downloaded from the following website: <http://www.adb.org>

16. Anticorruption Policy (<http://www.adb.org/integrity/default.asp>)
17. Anticorruption Policy: Description and Answers to Frequently Asked Questions
18. Guidelines for Economic Analysis of Projects
19. Ethnic Group Development Plan Framework
20. Environmental Assessment and Review Procedure
21. Handbook on Management of Project Implementation