Mr. Zheng Xiaosong  
Director General  
International Department  
Ministry of Finance  
Sanlihe, Beijing 100820  
People’s Republic of China  

Re: China – Eco-Transport in City Clusters: Model Development & Pilots Project  
GEF PPG Grant No. TF096650  

Dear Mr. Zheng:  

In response to the request for financial assistance made on behalf of People’s Republic of China ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Implementing Agency of the Global Environment Facility ("GEF"), proposes to extend to the Recipient, a grant in an amount not to exceed two hundred thousand United States Dollars (US$200,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Activities"). This Grant is funded out of the GEF for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement. The award of the Grant does not constitute or imply any commitment on the part of the World Bank, either as Implementing Agency of the GEF or in its own capacity, to assist in the financing of any project which may result from the Activities financed by the Grant.  

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Acting as Implementing Agency of the Global Environment Facility

By /s/ Klaus Rohland
Country Director, China
East Asia and Pacific Region

AGREED:
PEOPLE’S REPUBLIC OF CHINA

By: /s/ Zheng Xiaosong
Authorized Representative

Name: Zheng Xiaosong
Title: Director General
Date: May 31, 2010

Enclosures:


(2) Disbursement Letter dated May 19, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I

Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement; provided that for the purposes of this Agreement the term “Project”, whenever used in the Standard Conditions, shall mean the Activities referred to in Section 2.01 of this Annex.

Article II

Grant Execution

2.01. Grant Objectives and Description. The objective of the Grant is to prepare the Eco-Transport in City Clusters: Model Development & Pilots Project (“Project”), which Project has as its objective to develop and implement a strategy for city-cluster based sustainable urban transport system, with a pilot demonstration in the city-cluster of Changsha-Zhuzhou-Xiangtan in Hunan Province. The overall objective of the Project is to increase the efficiency of resource use, reduce transport energy consumption and green house gas (GHG) emissions while meeting the need for transport accessibility and mobility in city-clusters. The activities (“Activities”) for which the Grant is given consist of the following parts:

(a) Identify scope and prepare terms of reference for developing a strategy for city-cluster based sustainable urban transport system.

(b) Prepare terms of reference and design the construction of city-cluster based sustainable urban transport pilot systems for implementation in Changsha-Zhuzhou-Xiangtan in Hunan Province.

(c) Institutional capacity building during preparation of the Project.

(d) Design monitoring and evaluation system for the initial assessment of baseline and projected GHG emissions at baseline and targets for project completion.

2.02. Grant Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Activities to be carried out by the Ministry of Transport and the Hunan Provincial Government in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits
2.03. **Completion Report.** The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.05. **Procurement**

(a) **General.** All services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”), in the case of consultants’ services.

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(d) **Review by the World Bank of Procurement Decisions.** Except as the World Bank shall otherwise specify by notice to the Recipient, each contract for consultants’ services provided by a firm estimated to cost the equivalent of $50,000 or more shall be subject to Prior Review by the World Bank. All other contracts shall be subject to Post Review by the World Bank.
(e) **Review by the World Bank of Terms of Reference.** Except as the World Bank shall otherwise agree, each Terms of Reference for consultants’ services to be engaged under this Agreement shall be subject to Prior Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services and Incremental Operating Costs including Workshops for the Activities</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>200,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section:

(i) the term “Workshops” mean the costs incurred by the Recipient in carrying out consultations, and meetings which are directly related to the Activities; and

(ii) the term “Incremental Operating Costs” mean the incremental operating costs incurred by the Recipient on account of the implementation, management and monitoring of the Activities, including office supplies and consumables, utilities, communications, mass media and printing services, and travel, lodging and per diems and other reasonable and necessary costs directly associated with the Activities, but excluding salaries of officials or staff of the Recipient.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is September 30, 2011.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

   Ministry of Finance  
   Sanlihe  
   Beijing 100820  
   People’s Republic of China

   Facsimile:

   (86-10) 6855-1125

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

   International Bank for Reconstruction and Development  
   1818 H Street, N.W.  
   Washington, D.C. 20433  
   United States of America

   Cable:  
   Telex:  
   Facsimile:

   INTBAFRAD 248423 (MCI) or 1-202-477-6391  
   Washington, D.C. 64145 (MCI)