Project Agreement

(Changzhi Sustainable Urban Transport Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SHANXI PROVINCE

Dated July 10, 2012
PROJECT AGREEMENT

AGREEMENT dated July 10, 2012, entered into between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(“Bank”) and SHANXI PROVINCE (“Project Implementing Entity” or “Shanxi”)
(“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of
same date between People’s Republic of China (“Borrower”) and the Bank. The Bank
and the Project Implementing Entity (Shanxi) hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity (Shanxi) declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity (Shanxi) shall cause Changzhi to carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity (Shanxi) shall otherwise agree, the Project Implementing Entity (Shanxi) shall cause Changzhi to carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s (Shanxi’s) Representative is its Governor or Vice-Governor.
3.02. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423(MCI) or 1-202-477-6391  
Facsimile: 64145(MCI)

3.03. The Project Implementing Entity's (Shanxi's) Address is:

International Finance Division  
Shanxi Provincial Finance Department  
No. 345 Yingze Street  
Taiyuan, 030001  
Shanxi Province  
People's Republic of China

Facsimile: 0086-351-4045332
AGREED at Being People's Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]

Authorized Representative

SHANXI PROVINCE

By [Signature]

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Financing Arrangements

1. The Project Implementing Entity (Shanxi) shall make available the proceeds of the Loan to Changzhi under terms and conditions satisfactory to the Bank, including the following principal terms:

   (a) The principal amount shall be made available in Dollars.

   (b) The principal amount so made available (including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and any Premium for Interest Rate Caps or Interest Rate Collars paid pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions) shall be recovered over a period of twenty-five (25) years, inclusive of a grace period of five (5) years.

   (c) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to Section 2.04 of this Agreement.

2. The Project Implementing Entity (Shanxi) shall cause Changzhi: (a) to manage, operate, monitor, transfer and reconcile the proceeds of the Loan made available to it pursuant to paragraph 1 above in accordance with arrangements and procedures satisfactory to the Bank; (b) to take, all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said Loan proceeds and the implementation of the Project, to enable the Project Implementing Entity (Shanxi) to comply with its undertakings under this Agreement and the Loan Agreement; and (c) to maintain all relevant records and documents related to the Loan and the Project and provide promptly such documents and records, including all other information, as may be requested by the Project Implementing Entity (Shanxi), the Borrower or the Bank from time to time.

B. Institutional Arrangements

1. The Project Implementing Entity (Shanxi) shall cause Changzhi to establish and maintain throughout the implementation of the Project:
(a) at the municipal level, a Project Steering Group, chaired by the Mayor, or a designated Vice-Mayor and comprising senior officials from relevant agencies including Municipal Development Reform Commission, Finance Bureau, Construction Bureau, Public Security Bureau, Transport Bureau, City Greening Bureau, Environment Bureau, Land Bureau and district governments. The PSG shall be responsible for providing general oversight and policy guidance to the Project;

(b) at Project level, a Project Management Center, which shall function as the Project management office and be responsible for the overall management of the Project, including procurement; and

(c) a Component Implementation Unit, at each of the Municipal Public Transport Company, the Traffic Police, the Municipal Engineering Division, the Municipal Greening Bureau, the Municipal Lighting Division, and the Municipal Parking Management Center, to work with the Project Management Center for the implementation of the relevant components or subcomponents of the Project.

C. Anti-Corruption

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

D. Safeguards

1. The Project Implementing Entity (Shanxi) shall, in carrying out the Project, cause Changzhi to implement the RPF, RAPs, if applicable, and the EMP, respectively, all in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity shall cause Changzhi to:

(a) take all necessary actions to minimize to the extent possible the acquisition of land or assets of people, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out the Project or any Part thereof;

(b) where the acquisition of land or assets or the displacement of people is unavoidable, make available to such people compensation in accordance with the RPF and before the carrying out of the works which would result in such acquisition or displacement, all in a manner satisfactory to the Bank;

(c) in carrying out the Project or any part thereof, apply the EMP in a manner satisfactory to the Bank;
whenever required in terms of the RPF, the Project Implementing Entity shall cause Changzhi to proceed to have a RAP:

(i) prepared in form and substance satisfactory to the Bank;

(ii) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and

(iii) thereafter, adopted and publicly disclosed; and ensure that each contract for works financed with the proceeds of the Loan shall include the obligations of the work contractors and any sub-contractor to comply with the relevant provision of the EMP.

2. The Project Implementing Entity (Shanxi) shall not, and shall cause Changzhi to not, amend, suspend, or waive the RPF, any RAP, or the EMP, or any provision thereof, without the prior written concurrence of the Bank.

3. The Project Implementing Entity (Shanxi) shall cause Changzhi to maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the said RPF and RAP(s) prepared in respect thereof.

4. In the event of any inconsistency between the provisions of the RPF, RAPs, or the EMP and the provisions of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. (a) The Project Implementing Entity (Shanxi) shall monitor and evaluate the progress of the Project and prepare Project Reports of the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Borrower not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following: (i) average annual number of traffic fatalities in project corridors; (ii) average morning peak-hour public transit travel speeds in project corridors; (iii) public transit user satisfaction survey;
and (iv) annual average fuel consumption per passenger-km on project corridors.

2. Without limitation to the foregoing, the Project Implementing Entity (Shanxi) shall cause Changzhi to: (a) by February 15 and August 15 of each year, starting with February 15, 2012, furnish to the Bank semi-annual progress reports on implementation of the EMP, the RPF and any RAPs; (b) by February 15 and August 15 of each year, starting with February 15, 2013, furnish to the Bank semi-annual progress reports on Project implementation; (c) by June 30, 2014, furnish to the Bank a Project mid-term review report; and (d) based on the recommendations of said reports and the Bank's review and comments thereon, take actions, satisfactory to the Bank, to address any emerging implementation issues in order to ensure efficient, timely and effective implementation of the Project and to further the objective thereof.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity (Shanxi) shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, in a manner adequate to reflect the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A.1 of this Section, the Project Implementing Entity (Shanxi) shall prepare and furnish to the Bank as part of the Project Report, interim un-audited financial reports for the Project covering the calendar semester period of each Project Report, in form and substance satisfactory to the Bank.

3. The Project Implementing Entity (Shanxi) shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity (Shanxi). The Project Implementing Entity (Shanxi) shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or
referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
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<tr>
<th>Procurement Methods</th>
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<tr>
<td>(a) National Competitive Bidding. In addition, the procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People’s Republic of China promulgated by Order No.21 of the President of the People’s Republic of China on August 30, 1999, with the following clarifications required for compliance with the Procurement Guidelines:</td>
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<td>(i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower’s country, except for civil works contracts that are estimated cost less than $2,000,000 equivalent each and for goods contracts that are estimated to cost less than $300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall</td>
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be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

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

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

(iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or the Project Implementing Entity, (Shanxi) as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.

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

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

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

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

(ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
(x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

(xi) Government owned enterprises in the Borrower’s country may be permitted to bid or submit a proposal of goods and works if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law; and (C) are not a dependent agency of the agency conducting the procurement.

(xii) All bids should not be rejected solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the Bank’s prior written concurrence.

(xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press (as provided under sub-paragraph (i) above) or official gazette or a free and open access website and shall identify the name and offered price of the winning bidder, as well as the duration and summary scope of the awarded contract.

(xiv) The Project Implementing Entity (Shanxi) shall have in place provisions for bidders to protest.

(b) Shopping

(c) Direct Contracting

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality - and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

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<tr>
<td>(a) Quality-Based Selection</td>
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<tr>
<td>(b) Selection of Individual Consultants</td>
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<tr>
<td>(c) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(d) Single Source Selection (Firm and Individual)</td>
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D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.