Project Agreement

(Taiyuan Urban Transport Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

SHANXI PROVINCE

Dated November 2, 2010
PROJECT AGREEMENT

AGREEMENT dated November 2, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and SHANXI PROVINCE (“Shanxi”) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between the PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank. The Bank and 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. Shanxi declares its commitment to the objectives of the Project. To this end Shanxi shall:

(a) carry out, and shall cause Taiyuan Municipality, TMUCDD, TPTGC, TTPB and TPMO to carry out, the Project in accordance with the provisions of Article V of the General Conditions and this Agreement;

(b) cause Taiyuan Municipality to carry out Part 1 of the Project through TMUCDD, Part 2 of the Project through TPTGC and TMUCDD, Part 3 of the Project through TTPB, and the relevant activities under Part 4 of the Project through TPMO, TMUCDD, TTPB and TPTGC; and

(c) provide, or cause to be provided, promptly as needed the funds, facilities, services and other resources required for the Project, including securing domestic loans in such principal amounts as shall be needed to meet the Project counterpart funds requirements, all under terms and conditions satisfactory to the Bank, in a timely manner and in accordance with the requirements of the annual work plans referred to in paragraph 3 of Section I of the Schedule to this Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank shall otherwise agree, Shanxi shall: (a) carry out, and shall cause Taiyuan Municipality, TMUCDD, TPTGC, TTPB and TPMO to carry out, the Project in accordance with the provisions of the Schedule to this Agreement; and (b) make available to Taiyuan Municipality the proceeds of the Loan on the
same terms and conditions as those referred to in Section I.A.1 of Schedule 2 to the Loan Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

3.01. 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, N.W.
Washington, D.C. 20433
United States of America

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

3.03. Shanxi’s Address is:

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

Facsimile:

0086-351-4045332
AGREED at Beijing, People’s Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland
Authorized Representative

SHANXI PROVINCE

By /s/ Li Xiaopeng
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

Project Management

1. Shanxi shall maintain throughout the period of implementation of the Project, in a manner and substance satisfactory to the Bank, the Provincial Project Leading Group composing of representatives of Shanxi Provincial Development and Reform Commission, Provincial Finance Bureau and Taiyuan Municipality for the purpose of providing overall leadership, policy guidance, supervision and coordination for the purpose of implementing the Project.

2. Shanxi shall cause Taiyuan Municipality to maintain throughout the period of implementation of the Project, in a manner and substance satisfactory to the Bank: (a) the Project Leading Group for the purpose of providing overall leadership, policy guidance and coordination for the purpose of implementing the Project at the municipal level; and (b) the TPMO with such composition, powers, functions, funds and other resources as shall be necessary to enable it to effectively manage and supervise the implementation of the Project.

Project Implementation

3. Shanxi shall cause Taiyuan Municipality to:

   (a) carry out activities under the Project during Fiscal Year 2010 as set out in a work plan agreed with the Bank and in a manner satisfactory to the Bank;

   (b) prepare, in accordance with terms of reference satisfactory to the Bank, and furnish to the Bank by April 15 in each calendar year, beginning on April 15, 2011, for review and approval, a proposed annual work plan for the carrying out the Project during the same calendar year, based on the annual work plan prepared by TMUCDD, TTPB, TPTGC and TPMO for implementing their respective activities under the Project, said work plan to include, inter alia, the scope and schedule of activities under the Project, the financing plan and detailed budget arrangements, including required counterpart funds;

   (c) thereafter, carry out or caused to be carried out the Project in accordance with such annual work plan as shall have been approved by the Bank; and
(d) not amend, suspend, abrogate or waive the annual work plan or any part thereof without the prior approval of the Bank.

4. Shanxi shall cause Taiyuan Municipality to engage consultants, from time to time, in adequate numbers, with expertise, terms of reference, qualification and experience, acceptable to the Bank, as required for supervision of civil works implemented under the Project.

5. Shanxi shall cause Taiyuan Municipality to:

(a) carry out the Project in accordance with designs, alignment, technical specifications and standards satisfactory to the Bank;

(b) complete the construction and operationalization of the road infrastructure facilities under Part 1(b) of the Project in accordance with a time schedule, satisfactory to the Bank, in order to ensure full synchronization with the timetable for the construction and operationalization of the road under Parts 1(a) of the Project; and

(c) upon the completion of the construction and operationalization of the roads and public transport facilities under Parts 1 and 2 of the Project, maintain and operate said roads and public transport facilities in a technically, financially and administratively viable manner in accordance with arrangements and procedures satisfactory to the Bank.

6. Shanxi shall ensure and shall cause Taiyuan Municipality to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Social and Environment Protection

7. For the purpose of carrying out the Project, Shanxi shall cause Taiyuan Municipality to implement the RAP, the RPF, and the EMP, all in a manner and substance satisfactory to the Bank. Without limitation to the foregoing Shanxi shall cause Taiyuan Municipality, TMUCDD, TPTGC and TPMO to:

(a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of land, buildings, homestead, shelter, crops, trees, or other 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 of the Project or any part thereof; and

(b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which
would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the displaced people in permanent sites with adequate facilities, including providing all related assistance required in respect thereof, all in accordance with the RAP and the RPF and in a manner satisfactory to the Bank; in those instances where said relocation and rehabilitation assistance provided are of a transitory nature, make arrangements prior to implementing any such works for the permanent and adequate relocation and rehabilitation of such people in accordance with the RAP and the RPF, and implement such arrangements in a manner and in accordance with a time schedule satisfactory to the Bank.

8. Shanxi shall not and shall cause Taiyuan Municipality to not amend, suspend, abrogate, or waive the RAP, the RPF and the EMP or any provision thereof, without the prior concurrence of the Bank.

9. Shanxi shall take and shall cause Taiyuan Municipality to take all such action as shall be necessary in the implementation of the Project to protect cultural heritage sites in the area of influence of the Project in accordance with arrangements or procedures satisfactory to the Bank.

10. Shanxi shall cause Taiyuan Municipality to: (a) carry out measures satisfactory to the Bank for improving the living standard of Displaced Persons affected by the implementation of the Project in accordance with the provisions of the RAP and the RPF; and (b) include appropriate and adequate provisions in the contracts entered into for implementing the Project to ensure the fulfillment of the requirements set out in the EMP together with specification of sanctions to be imposed for failure to carry out said requirements.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Shanxi shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in the Annex to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later one (1) month after the end of the period covered by such report.

2. Shanxi shall provide to the Borrower not later than three (3) months after the Closing Date, for incorporation in the report referred to in Section 5.08(c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.
3. Without limitation to the foregoing, Shanxi shall cause Taiyuan Municipality to:
   (a) by February 15 and August 15 of each year, starting with February 15, 2011, furnish to the Bank semi-annual progress reports on implementation of the EMP, the RAP, the RPF, the measures for improving the living standard of Displaced Persons and the actions for protecting cultural heritage sites and relics; (b) by February 15 and August 15 of each year, starting with February 15, 2011, furnish to the Bank semi-annual progress report on project implementation; (c) by June 30, 2013, 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 objectives thereof.

B. Financial Management, Financial Reports and Audits

1. 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. Shanxi shall apply and shall cause Taiyuan Municipality to apply in the implementation of the Project, the Project Financial Manual. Shanxi shall not and shall cause Taiyuan Municipality to not amend, waive, suspend, abrogate or cancel the Project Financial Manual or any provision therein without the prior approval by the Bank.

3. Without limitation on the provisions of Part A.1 of this Section, 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.

4. 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. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.
ANNEX

Performance Indicators
Results Framework

<table>
<thead>
<tr>
<th>PDO</th>
<th>Outcome Indicators</th>
<th>Use of Outcome Information</th>
</tr>
</thead>
</table>
| The project development objective is to improve mobility on selected transport corridors of the city center of Taiyuan Municipality in Shanxi Province of the Borrower in a safe and efficient manner | 1. Reduced travel times for road users on selected travel routes  
2. Traffic volumes on TR  
3. Reduced travel times on Xinjian Road Busway  
4. Increased bus ridership on Xinjian Road and urban area  
5. Lower fatality rate for urban area | Evaluating the success of the project in diverting longer-distance trips and heavy vehicles to more appropriate roads, and reducing the risk to vulnerable road users and other traffic in the central city; and increasing attractiveness and performance of public transport in a demonstration corridor |

<table>
<thead>
<tr>
<th>Intermediate Results One per Component</th>
<th>Results Indicators for Each Component</th>
<th>Use of Results Monitoring</th>
</tr>
</thead>
</table>
| Component One: Road Development Component | Component One:  
1. Number of km of TR completed  
2.  | Component One:  
Monitor progress |
| Component Two: Public Transport Component | Component Two:  
1. Number of buses in service  
2. Number of bus routes in service  
3. Number of bus off-street parking spaces at depots  
4. Number of km of segregated busway in city  
5. Annual subsidy for public transport operations in city | Component Two:  
Monitor progress |
| Component Three: Traffic Management and Road Safety Component | Component Three:  
1. Km of sidewalks improved  
2. Number of pedestrian signals implemented  
3. Km of exclusive bicycle lanes improved  
4. Number of bicycle signals implemented  
5. Number of ATC intersections implemented (including new and improved signals)  
6. Number of channelized intersections implemented  
7. Number of intersections with improved markings implemented | Component Three:  
Monitor progress |
## Arrangements for results monitoring

<table>
<thead>
<tr>
<th>Outcome Indicators</th>
<th>Baseline 2008</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5 (Completion Year)</th>
<th>Frequency and Reports</th>
<th>Data Collection Instruments</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a. Change in peak hour travel times with TR</td>
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<tr>
<td>(i) cars on existing roads (min)</td>
<td>52</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>6 months before</td>
<td>Field trips on pre-defined routes</td>
<td>Taiyuan PMO</td>
</tr>
<tr>
<td>(ii) cars on TR (min)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>6 months after</td>
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<tr>
<td>(iii) bus on existing roads (min)</td>
<td>.49</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>15% decrease</td>
<td></td>
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<tr>
<td>(iv) bus on TR (min)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>6 months before</td>
<td>Field trips on pre-defined routes</td>
<td>Taiyuan PMO</td>
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<tr>
<td>2. Peak Hour Traffic Volumes (both directions)</td>
<td></td>
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<td>6 months and 1 year after completion of project roads</td>
<td>Traffic counts</td>
<td>Taiyuan PMO</td>
</tr>
<tr>
<td>TR (Longbao Rd.-Xuefu Rd.)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>4,420 PCU</td>
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<tr>
<td>3. Bus travel times on Xinjian Busway, 11.45km (minutes)</td>
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<td>10% increase</td>
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<tr>
<td>(i) Xinjian Road (11.45 km)</td>
<td>18.5 million</td>
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<td></td>
<td>10% increase</td>
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<td>(ii) Urban area (Shi Qu)</td>
<td>320 million</td>
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<td>n/a</td>
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<td>4. Annual bus ridership (person-trips)</td>
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<tr>
<td>(i) Xinjian Road (11.45 km)</td>
<td>18.5 million</td>
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<tr>
<td>(ii) Urban area (Shi Qu)</td>
<td>320 million</td>
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<td>5. Fatality rate in Taiyuan (urban area fatalities per 10,000 MV)</td>
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<td>15% decrease</td>
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<tr>
<td>Results Indicators for Each Component</td>
<td>Baseline 2008</td>
<td>YR1</td>
<td>YR2</td>
<td>YR3</td>
<td>YR4</td>
<td>YR5 (Completion Year)</td>
<td>Frequency and Reports</td>
<td>Data Collection Instruments</td>
<td>Responsibility for Data Collection</td>
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<tr>
<td>Component One: Road Development Component</td>
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<td>Annually</td>
<td>Progress report</td>
<td>Taiyuan FMO and Construction Bureau</td>
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<tr>
<td>Number of km of TR completed</td>
<td>n/a</td>
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<td>11.05km</td>
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<td>Component Two: Public Transport Component</td>
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<td>Annually</td>
<td>Progress report</td>
<td>Taiyuan PMO and Public Transport Company</td>
</tr>
<tr>
<td>a) Number of buses in service</td>
<td>1865</td>
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<td>b) Number of bus routes in service</td>
<td>124</td>
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<td>c) Number of bus off-street parking spaces at depots</td>
<td>1073</td>
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<td>d) Number of km of segregated busway in city</td>
<td>0</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
<td>11.45</td>
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<td>e) Annual subsidy for public transport operations in city</td>
<td>40m RmB</td>
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<td>For monitoring only- no targets</td>
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<tr>
<td>Component Three: Traffic Management and Road Safety Component</td>
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<td></td>
<td>Annually</td>
<td>Progress report</td>
<td>Taiyuan PMO and Traffic Police Department</td>
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<tr>
<td>a) Km of sidewalks/Guardrail improved</td>
<td>n/a</td>
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<td>b) Number of pedestrian signals implemented</td>
<td>n/a</td>
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<td>c) Km of exclusive bicycle lanes improved</td>
<td>n/a</td>
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<tr>
<td>d) Number of bicycle signals implemented</td>
<td>n/a</td>
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<td>e) Number of ATC intersections implemented (including new and improved signals)</td>
<td>n/a</td>
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<td>f) Number of channelized intersections implemented</td>
<td>n/a</td>
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<td>g) Number of intersections with improved markings implemented</td>
<td>n/a</td>
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