Project Agreement

(Guangdong Green Freight Demonstration Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

and

GUANGDONG PROVINCE

Dated June 1, 2011
PROJECT AGREEMENT

AGREEMENT dated June 1, 2011, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”), and Guangdong Province (“Project Implementing Entity”) (“Project Agreement”) in connection with the Grant Agreement (“Grant Agreement”) of same date between PEOPLE’S REPUBLIC OF CHINA (“Recipient”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — DEFINITIONS

1.01. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall: (a) carry out the Project, with due diligence and efficiency and in conformity with appropriate administrative, technical, economic, environmental and social standards and practices; and (b) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

2.03. The Project Implementing Entity shall carry out the obligations set forth in Sections 2.02, 2.03, 2.04 and 2.05 of the Standard Conditions (relating to insurance, land acquisition, use of goods, works and services and maintenance of facilities, and documents and records) in respect of the Project Agreement and the Project.

2.04. The Project Implementing Entity shall cooperate fully to assure that the purposes of the Grant and the objectives of the Project will be accomplished and: (a) at the request of the Bank, exchange views with the Bank with regard to the Project, the Grant, and the performance of its obligations under this Agreement, and furnish to the Bank all such information related to such matters as it shall reasonably request; and (b) promptly inform the Bank of any condition which interferes with, or threatens to interfere with, such matters.
ARTICLE III — EFFECTIVENESS; TERMINATION

3.01. This Agreement shall come into force and effect on the date upon which the Grant Agreement becomes effective.

3.02. This Agreement and all obligations of the Bank and the Project Implementing Entity hereunder shall terminate on the date on which the Grant Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the Project Implementing Entity thereof.

3.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation, suspension or refund under the Standard Conditions.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Governor or Vice Governor or such person or persons as said Governor or Vice Governor shall designate in writing, and the Project Implementing Entity shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

4.02. 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 1-202-477-6391
Facsimile: 64145(MCI)

4.03. The Project Implementing Entity’s Address is:

Guangdong Provincial Government
305 East Dongfeng Road
Guangzhou, Guangdong
People’s Republic of China

Facsimile:
86-20-83330007
With copy to:
Guangdong Provinical Department of Transportation
27 Baiyun Road
Guangzhou, Guangdong
Postal Code: 510101
People’s Republic of China

Facsimile:
86-20-83730143

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By /s/ Klaus Rohland
Authorized Representative

GUANGDONG PROVINCE

By /s/ Zheng Xiaosong
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Project Management

The Project Implementing Entity shall through its Department of Transport maintain throughout the period of Project implementation a Project Management Office (PMO) with qualified staff in adequate numbers responsible for Project implementation.

B. Anti-Corruption

The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

C. Participation Agreements

1. The Project Implementing Entity shall enter into an agreement or make arrangements under a memorandum of understanding with each Participating Company carrying out demonstration activities under Parts A and B of the Project, under terms and conditions satisfactory to the World Bank, to set forth inter alia:

   (a) with respect to each of the Participating Companies eligible to receive Green Freight Technology Rebates, the Participating Company’s obligation:

      (i) to apply the Green Freight Technologies in accordance with the safeguards, fiduciary and technical requirements set forth or referred to in the Financial Management Manual;

      (ii) to furnish to the Project Implementing Entity evidence of the procurement of Green Freight Technology from a Green Freight Technology supplier;

      (iii) to install and operate equipment to monitor fuel emissions;

      (iv) to enable the required financial and procurement audits as applicable to the Green Freight Technologies Rebates to be carried out by the Project Implementing Entity, as well as the verifications required prior to the financing of the Green Freight Technologies Rebates; and
(v) to comply with the applicable reporting requirements and enable the Project Implementing Entity and the World Bank to review the documents related to the Green Freight Technology;

(b) with respect to each of the Participating Companies eligible to receive Performance-based Payments, the Participating Company’s obligation:

(i) to complete, and furnish to the satisfaction of the Project Implementing Entity, a baseline survey of the performance of the Green Freight Technology;

(ii) to participate in a driver training program and furnish to the satisfaction of the Project Implementing Entity the corresponding training certificate;

(iii) to provide evidence of a measurable improvement in fuel efficiency over the baseline of the vehicles owned by the Participating Company;

(iv) to enable the required financial audits as applicable to the Performance-based Payments to be carried out by the Project Implementing Entity, as well as the verifications required prior to the financing of the Performance-based Payments; and

(v) to comply with the applicable reporting requirements and enable the Project Implementing Entity and the Bank to review the documents related to the Performance-based Payments;

(c) with respect to each of the Participating Companies eligible to receive Green Freight Rebates and Performance-based Payments under Part B of the Project, the Participating Company’s obligation applicable as per the criteria to be developed pursuant to the provisions of Section IV.B.1(c)(i) of Schedule 2 to the Grant Agreement; and

(d) the Project Implementing Entity’s obligation:

(i) to pay the Green Freight Rebates and the Performance-based Payments in the terms and in the amounts set forth in the Participation Agreement; and

(ii) to ensure that the Participating Company complies with requirements of Parts A and B of the Project as set forth in the Grant Agreement and Project Agreement.
2. Except as the World Bank shall otherwise agree, the Project Implementing Entity shall not amend, assign, abrogate, waive or fail to enforce the Participation Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 2.06(b) of the Standard Conditions and on the basis of the indicators set forth in Annex to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by March 31 and September 30 of each year, starting March 31, 2012.

2. The Project Implementing Entity shall provide to the Bank not later than six (6) months after the Closing Date, the report referred to in Section 2.06(b)(ii) of the Standard Conditions.

B. Financial Management, Financial Reports and Audits

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

2. The Project Implementing Entity shall prepare interim unaudited financial reports for the Project and furnish the reports to the Bank as part of the Project Report not later than three (3) months after the end of each calendar semester, covering the calendar semester, in form and substance satisfactory to the Bank.

3. The Project Implementing Entity shall have the 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 Project Implementing Entity shall ensure that the audited financial statements for each period shall be furnished to the Recipient and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.
Section IV. Other Undertakings

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Environmental Management Manual.

2. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Financial Management Manual, which sets forth: (a) detailed guidelines on financial management including internal controls, accounting procedures, funds flow arrangements, fund and asset management, withdrawal application procedures, and financial reporting and auditing arrangements, all in accordance with the provisions of Section II, paragraph B of the Schedule to this Agreement; and (b) the fiduciary requirements for the financing of Green Freight Technology Rebates and Performance-based Payments, including the eligibility criteria and verification requirements of such Rebates and Payments.

ANNEX to SCHEDULE

Indicators

**Project Development Objective (PDO):** (a) demonstrate the global and local environmental benefits of the application of energy efficiency vehicle technologies and operating techniques, and (b) support improving energy efficiency and reducing greenhouse gas emissions in the road freight transport sector in Guangdong Province.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Annual Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator One:</strong> Improvement in fuel economy (100 km per unit of fuel combusted) of participating trucks**</td>
<td>✔️</td>
<td>Liter/100 km</td>
<td>32</td>
<td>n/a 30.4 30.4 30.4</td>
<td>Reported every semester</td>
<td>GPS devices; existing DoT monitoring platform; supplemental surveys</td>
<td>Participating companies; Independent consultants, under supervision of the PMO; and PMO</td>
<td>Average of improvements on all participating trucks</td>
</tr>
<tr>
<td><strong>Indicator Two:</strong> Reduction in operating cost of truck fleets managed by participating companies (per 100 ton-km travelled)**</td>
<td>✔️</td>
<td>$ / 100 ton-km</td>
<td>25.6</td>
<td>n/a 24.3 24.3 24.3</td>
<td>Reported annually</td>
<td>GPS devices; existing DoT monitoring platform; supplemental surveys</td>
<td>Participating companies; Independent consultants, under supervision of the PMO; and PMO</td>
<td>Average of improvements on truck fleets of all participating companies</td>
</tr>
<tr>
<td><strong>Indicator Three:</strong> Total amount of CO₂e emissions reduction directly generated from fuel savings through the duration of the demonstration**</td>
<td>✔️</td>
<td>tons CO₂ / ton-km</td>
<td>1.50</td>
<td>n/a 1.43 1.43 1.43</td>
<td>Reported annually</td>
<td>GPS devices; existing DoT monitoring platform; supplemental surveys</td>
<td>Consultants, under supervision of the PMO; and PMO</td>
<td>Average of improvements on all participating trucks.</td>
</tr>
<tr>
<td><strong>Intermediate Indicator One:</strong> Total private sector investment leveraged through the Project.</td>
<td>☐</td>
<td>$’000,000</td>
<td>0</td>
<td>0.1 0.3 0.3 0.3</td>
<td>Reported every semester</td>
<td>Rebate Scheme Reports</td>
<td>DoF and PMO</td>
<td>Measure the private sector investment leveraged by the Project.</td>
</tr>
<tr>
<td>Intermediate Indicator</td>
<td>Description</td>
<td>Number of vehicles</td>
<td>Number of drivers</td>
<td>Website established</td>
<td>Website maintained</td>
<td>Website maintained</td>
<td>Reported every semester</td>
<td>Measure progress in project implementation</td>
</tr>
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<td><strong>Two:</strong> Number of existing or newly purchased trucks installed the green truck technologies</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Report every semester</td>
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<td><strong>Three:</strong> Number of drivers participating in the Project training program</td>
<td></td>
<td>0</td>
<td>100</td>
<td>500</td>
<td>600</td>
<td>0</td>
<td></td>
<td></td>
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<td><strong>Four:</strong> Establishment of a Project website</td>
<td></td>
<td>No website</td>
<td></td>
<td>Website established</td>
<td>Website maintained</td>
<td>Website maintained</td>
<td></td>
<td></td>
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<tr>
<td><strong>Five:</strong> Number of government officials and enterprise representatives trained through Project</td>
<td></td>
<td>0</td>
<td>15 (g)</td>
<td>60 (g) and 1000 (e)</td>
<td>60 (g) and 1000 (e)</td>
<td>25(g) and 1000 (e)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Six:</strong> Organization and implementation of green freight trade fair</td>
<td></td>
<td>No fair</td>
<td></td>
<td>Implementaion of green freight trade fair</td>
<td>Implementation of green freight trade fair</td>
<td>n/a</td>
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By training government officials and enterprises, the repercussive effects of the project expand.

The green freight trade fair, the first of its kind in China, will support project implementation and support a market-based approach to improving freight vehicle energy efficiency.
| Intermediate Indicator Seven: Policy recommendations to address critical institutional and regulatory needs for improving the energy efficiency of the sector presented to Guangdong Provincial Government for approval | Institutional and Policy Needs (qualitative) | n/a | n/a | Policy actions identified | Policy notes completed and submitted to the Provincial Government | n/a | Reported every semester | Progress reports and final reports (including policy notes and PPT presentations) | Consultants, under supervision of the PMO; and PMO | Three Project studies, drop-and-hook feasibility study, logistics brokerage feasibility study, and the green freight policy study, will provide analyses on key institutional and policy needs. |