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CONFORMED COPY

LOAN NUMBER 4881-CHA

Project Agreement

(Guiyang Transport Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

GUIYANG MUNICIPALITY

Dated March 18, 2008

PROJECT AGREEMENT

Agreement dated March 18, 2008, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and Guiyang Municipality (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement of same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank (“Loan Agreement”). The Bank and the Project Implementing Entity 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 the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General 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 in accordance with the provisions of Article V of the General Conditions; and
 - (b) 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 shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Schedule 1 to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is the Mayor or Vice-Mayor of Guiyang Municipality.
- 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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Guiyang Transport Project (World Bank Financed) Office
4th Floor, No.1 Building, Shijixin Garden,
No. 42, Er Qiao Road, Guiyang, Guizhou Province
People's Republic of China 550008

Facsimile:

86-851-477013

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

INTERNATIONAL BANK FOR
RECONSTRUCITON AND DEVELOPMENT

By /s/ David Dollar
Authorized Representative

GUIYANG MUNICIPALITY

By /s/ Shuai Wen
Authorized Representative

SCHEDULE 1

Execution of the Project

Section I. Institutional and Other Arrangements

Project Management

1. The Project Implementing Entity shall maintain throughout the period of implementation of the Project:

(a) the Project Leading Group headed by the Vice-Mayor and with representation of the Secretary General of the Vice-Mayor's office, Guiyang Municipal Development and Research Commission, Guiyang Municipal Finance Bureau, Guiyang Municipal Communication Bureau, and Guiyang Environmental Protection Bureau and assigned with such power, funds and other resources as shall be necessary to achieve its purposes in a manner and substance satisfactory to the Bank; and

(b) the GPMO responsible for the overall management of Project implementation, including activities related to environment, resettlement, finance, and administration, headed by a qualified and experienced manager who shall be the director of the GPMO, and assisted by a Deputy Director, a Resettlement Specialist, an Environmental Specialist and a Procurement expert, under terms of reference satisfactory to the Bank, and assigned with such powers, funds, staff in adequate numbers and other resources as shall be required to enable the GPMO to achieve its purposes in a manner and substance satisfactory to the Bank.

Social and Environment Protection

2. The Project Implementing Entity shall in the carrying out of the Project implement or cause to implement the RAP, the IPDP, and the EMP, all in a manner and substance satisfactory to the Bank. Without limitation to the foregoing the Project Implementing Entity shall and shall cause 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 RAP and before the carrying out of the works which would result in such acquisition or displacement, all in a manner satisfactory to the Bank; and

(c) implement the EMP in a manner satisfactory to the Bank and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards acceptable to the Bank.

3. The Project Implementing Entity shall not amend, suspend, or waive the RAP, IPDP and the EMP or any provision thereof, without the prior concurrence of the Bank.

Financial Arrangements between Project Implementing Entity and Guiyang Tongyuan Road Construction Development Co. Ltd.

4. For the purpose of carrying out Parts A and B of the Project, the Project Implementing Entity shall:

(a) make available on a grant basis to the Guiyang Tongyuan Road Construction Development Co. Ltd part of the proceeds of the Loan allocated from time to time under Categories (1) and (2) of the table in paragraph A.2 of Section IV of Schedule 2 to the Loan Agreement under the Subsidiary Agreement to be entered into between the Project Implementing Entity and Guiyang Tongyuan Road Construction Development Co. Ltd on the principal terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in Schedule 2 to this Agreement;

(b) cause Guiyang Tongyuan Road Construction Development Co. Ltd to: (i) perform, in accordance with the provisions of the Subsidiary Agreement all of the obligations of Guiyang Tongyuan Road Construction Development Co. Ltd therein set forth; (ii) take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Guiyang Tongyuan Road Construction Development Co. Ltd to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance; and

(c) exercise its rights under the Subsidiary Agreement, in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Subsidiary Agreement or any part thereof.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Project Implementing Entity 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 a six (6) month calendar period in each year, that is from January through June and from July through December, commencing on July 1, 2007, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall provide to the Borrower not later than six (6) 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.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall apply in the implementation of the Project the Financial Management Manual in a manner satisfactory to the Bank. The Project Implementing Entity shall 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, the Project Implementing Entity shall prepare and furnish to the Borrower as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester for forwarding by the Borrower to the Bank.

4. The Project Implementing Entity 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 Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.

ANNEX

Performance Indicators

The performance indicators referred to in paragraph A.1, Section II of this Schedule 1 are set out below.

PDO	Project Outcome Indicators	Use of Project Outcome Information
To assist the Borrower to increase the access and mobility of Guiyang Municipality's transport users through priority infrastructure investments and while establishing more sustainable mechanisms for rural road maintenance; all while enhancing capacity for keeping municipal debt under control.	Traffic volumes increased and average travel times decreased on Youxiao Road. Reduction of travel times on rural roads.	Assess impact of the Youxiao Road urban connector and rural infrastructure on user's behaviors and the effective transfer of benefits to road users.
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
I-Youxiao Road		
(1) Transport conditions enhanced between the urban core and Longdongbao.	Traffic volumes increased and average travel times decreased.	Monitoring of implementation progress and taking necessary actions to address possible delay.
II-Rural Transport		
(2) Increase the number of communities connected to new and improved all weather access.	Number of villages connected by project roads.	Monitoring of implementation progress and taking necessary actions to address possible delay.
(3) Increased mobility of rural people through improved rural bus services.	Number of villages serviced by routes from Project rural bus stations.	

Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p>III-Institutional Development</p> <p>(4) Implement rural road maintenance and debt management systems.</p>	<p>Completion status.</p>	<p>Monitoring of implementation progress and taking necessary actions to address possible delay.</p>

Arrangements for results monitoring

Youxiao Road Component

			Target Values				Data Collection and Reporting			
Project Outcome Indicators	Unit	Baseline /3/5	YR1 /4/5	YR2 /4/5			Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection	
1. Travel time /1										
• Airport Expressway	minutes	100%	80%	84%			Measured at least once a quarter and reported as an average of a 12 month period.	Traffic surveys	GPMO	
• G321	minutes	100%	82%	82%						
• Youxiao Road	minutes	--	5	5						
2. Traffic volume /2										
• Airport Expressway	PCU/day	100%	78%	82%			Measured at least once a quarter and reported as an average of a 12 month period.	Traffic surveys	GPMO	
• G321	PCU/day	100%	61%	63%						
• Youxiao Road	PCU/day	--	19,500	22,200						
Intermediate Outcome Indicators	Unit	Baseline 2007	08 /6	09 /6	10 /6	11 /6	12 /6	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
1. Travel time /1										
• Airport Expressway	minutes	9	9	9	9	9	9	Measured at least once a quarter and reported as an annual average.	Traffic surveys	GPMO
• G321	minutes	7	8	8	8	8	8			

Intermediate Outcome Indicators	Unit	Baseline 2007	08 /6	09 /6	10 /6	11 /6	12 /6	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
2. Traffic volume /2										
• Airport Expressway	PCU/day	39,000	39,850	40,650	41,350	42,300	43,500	Measured at least once a quarter and reported as an annual average	Traffic surveys	GPMO
• G321	PCU/day	10,350	10,600	10,800	11,000	11,100	11,200			

/1 The average time in minutes to travel between Youzhajie-Baoshan Avenue-Shinan Avenue junction within the urban core to the Yuliang River Bridge on G321 within Longdongbao.

/2 Passenger car units (or PCU) are obtained by multiplying the average daily traffic on a road by a conversion factor to reflect the number of units that are equivalent to a passenger car. The average conversion factor applied is 1.34. This number is generated by multiplying the number of large buses and small, medium and large trucks by 2; and tractor trailers by 3. The number of cars and medium buses are not adjusted.

/3 The baseline values for the outcome indicators are calculated for the twelve month period prior to the opening of Youxiao Road.

/4 YR1 target values are calculated for the first twelve month period of operation of Youxiao Road and the YR2 target values are calculated for the second twelve month period.

/5 The specific target values are the listed percentages of the baseline values. Example – If the baseline value is calculated to be 100 minutes as the average time to travel between the designated origin and destination (see note 1) and for YR1, 90% is listed, then the YR1 target value is 90 minutes.

/6 The intermediate annual target values assume that Youxiao Road is not yet open to traffic. These target values are meaningless for the year that Youxiao Road opens to traffic and thereafter.

Rural Transport Component

			Target Values					Data Collection and Reporting		
Project Outcome Indicators	Unit	Baseline /3	YR 1 /4	YR 2 /4	YR 3 /4	YR 4 /4	YR 5 /4	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Reduction in travel time on a 25% sample of project roads	minutes	100%	50 %	50 %				Measured annually	Traffic surveys	GPMO
Intermediate Outcome Indicators	Unit	Baseline 2007	08	09	10	11	12	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Number of villages connected by completed project roads /7	No.	0	0	63	142	214	241	Measured annually	Project surveys	GPMO
Number of villages connected by bus service on completed project roads /8	No.	0	80	140	243	348	348	Measured annually	Project surveys	GPMO

/3 The baseline value for the outcome indicator, average reduction in travel time, is the value for the first full calendar year prior to the start of construction. 25% of the rural roads to be constructed are to be selected and the travel times on each of these roads is to be measured over a one year basis, once every three months, and an average travel time for each of these roads is calculated.

/4 YR1 target values are calculated for the first full calendar year after the rural road is improved or constructed and the YR2 target values are calculated for the second full calendar year and so forth. For each of the roads selected for the 25% sampling, the average travel time measured over a one year basis, once every three months, is taken and compared against a target value that is a reduction, at the percentage shown, from the baseline value.

/7 See Table A6-3 of the appraisal mission (March 1-2, 2007) aide memoire

/8 See Table A6.5 of the appraisal mission (March 1-2, 2007) aide memoire

Institutional Development Component

Intermediate Outcome Indicators	Unit	Baseline 2007	Target Values					Data Collection and Reporting		
			08 /9	09 /9	10 /9	11 /9	12 /9	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Implementation of a new rural road maintenance system	% complete	0	0	50	75	100	100	Measured annually	Project review	GPMO
Implementation of a new debt management system	% complete	0	0	50	75	100	100	Measured annually	Project review	GPMO

/9 50% complete – First phase analysis of current system complete and approved by Bank and Guiyang Municipality.

75% complete – Second phase report on new system complete and approved by Bank and Guiyang Municipality.

100% complete – Implementation complete and found acceptable to Bank and Guiyang Municipality.

SCHEDULE 2**Principal Terms and Conditions of the
Subsidiary Agreement**

The terms and conditions of the Subsidiary Agreement referred to in paragraph 4 of Section I of Schedule 1 to this Agreement shall include the following:

1. The principal amount of the Loan to be made available by Guiyang Municipality to Guiyang Tongyuan Road Construction Development Co. Ltd, pursuant to paragraph 4, Section I, Schedule 1 to this Agreement shall be the amount in Dollars withdrawn on account of Parts A and B of the Project from the Loan Account. Such amount shall be made available by Guiyang Municipality to Tongyuan Road Construction Development Co. Ltd on a non-repayable basis.
2. Guiyang Tongyuan Road Construction Development Co. Ltd shall undertake to:
(a) carry out Parts A and B of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering practices, and social and environmental standards acceptable to the Bank, and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (b) without limitation on the foregoing, take all measures necessary to ensure that Parts A and B of the Project shall be implemented in accordance with the RAP, the IPDP and the EMP, as the case may be.
3. Guiyang Tongyuan Road Construction Development Co. Ltd shall undertake to procure the goods, works and services to be financed out of the proceeds of the Loan in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such goods, works and services exclusively in the carrying out of Parts A and B of the Project.
4. Guiyang Tongyuan Road Construction Development Co. Ltd shall undertake to enable the Bank and the Project Implementing Entity to inspect such goods and the sites and works included in Parts A and B of the Project, the operation thereof, and any relevant records and documents.
5. Guiyang Tongyuan Road Construction Development Co. Ltd shall undertake to take out and maintain with responsible insurers insurance of any goods required for Parts A and B of the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery of the goods to the place of use or installation. Any indemnity for such insurance shall be made payable in a currency freely usable to replace or repair such goods.
6. Guiyang Tongyuan Road Construction Development Co. Ltd shall undertake to:

(a) maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition;

(b) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(c) furnish to the Bank and the Project Implementing Entity, as soon as available but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited; an opinion on such statements by said auditors in such scope and detail as the Bank or the Project Implementing Entity shall have reasonably requested; and all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank or the Project Implementing Entity shall reasonably request; and

(d) prepare and furnish to the Bank and the Project Implementing Entity all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank and/or Project Implementing Entity shall reasonably request.

7. Guiyang Tongyuan Road Construction Development Co. Ltd shall undertake to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in the Annex to Schedule 1 to this Agreement, the carrying out of Parts A and B of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank and the Project Implementing Entity, and furnish to the Project Implementing Entity for its review, consolidation and submission to the Bank in accordance with paragraph A.1 of Section II of Schedule 1 to this Agreement, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (a) of this paragraph 7 on the progress achieved in the carrying out of Parts A and B of the Project. Each such report shall cover a six (6) month calendar period in each year, that is from January through June and from July through December, commencing on July 1, 2007, and shall be finished not later than thirty (30) days after the end of the period covered by such report; and

(c) provide such other information and reports as the Project Implementing Entity may request in order to enable the Project Implementing Entity to fulfill its obligations under the Project Agreement.

8. The Project Implementing Entity shall have the right to suspend or terminate the right of Guiyang Tongyuan Road Construction Development Co. Ltd to the use of the proceeds of the Loan made available under the Subsidiary Agreement upon failure by Guiyang Tongyuan Road Construction Development Co. Ltd to perform any of its obligations under the Subsidiary Agreement; or upon notice from the Bank that it intends to exercise or has exercised any remedy under Article VII of the General Conditions.