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CONFORMED COPY

LOAN NUMBER 7864-CN

Project Agreement

(Wuhan Second Urban Transport Project)

between

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

and

WUHAN MUNICIPALITY

Dated June 11, 2010

PROJECT AGREEMENT

AGREEMENT dated June 11, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and WUHAN MUNICIPALITY (“Wuhan”) (“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 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 this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II – PROJECT

- 2.01. Wuhan declares its commitment to the objectives of the Project. To this end Wuhan shall:
 - (a) carry out the Project in accordance with the provisions of Article V of the General Conditions and this Agreement; and
 - (b) provide 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, Wuhan shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

- 3.01. Wuhan’s Representative is the Mayor or Vice-Mayor of the Wuhan.

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. Wuhan's Address is:

40, Chang Qing Road
Wuhan, Hubei Province
People's Republic of China

Facsimile:
027-65655354

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/ Klaus Rohland
Authorized Representative

WUHAN MUNICIPALITY

By /s/ Lei Dechao
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

Project Management and Financing

1. Wuhan shall maintain throughout the period of implementation of the Project, in a manner and substance satisfactory to the Bank, the Project Leading Group assigned with such powers, functions, funds and other resources as shall be necessary to enable it to provide overall leadership, policy guidance and coordination for the purpose of implementing the Project.
2. Wuhan shall maintain throughout the period of implementation of the Project, the WPMO in a manner and substance satisfactory to the Bank, with such composition, powers, functions, funds and other resources as shall be necessary to enable it to effectively manage, coordinate and supervise the implementation of the Project.
3. For the purpose of implementing the financing of the Project, Wuhan shall make available to WUCFMO the proceeds of the Loan received by Wuhan pursuant to paragraph A.1 of Section I of Schedule 2 to the Loan Agreement on the same terms and conditions referred to in said paragraph. Wuhan shall maintain WUCFMO with terms of reference, facilities and resources satisfactory to the Bank.

Project Implementation

4. Wuhan shall:
 - (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 February 15 in each calendar year, beginning on February 15, 2011, for review and approval, a proposed annual work plan for the carrying out the Project during the same calendar year and 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 any annual work plan or any part thereof without the prior approval of the Bank.
- 5. Wuhan shall 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.
- 6. Wuhan shall:
 - (a) carry out the Project in accordance with designs, alignment, technical specifications and standards satisfactory to the Bank; and
 - (b) 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.
- 7. Wuhan shall carry out construction or rehabilitation, as the case may be, of the:
 - (a) road corridors referred to in Parts A.1 and B.1 of the Project; (b) transfer terminals/interchanges referred to in Part A.2 of the Project; and (c) road section referred to in Part C.1(i) of the Project, that have already been identified and appraised, and any changes to these components shall be selected in accordance with criteria and procedures satisfactory to the Bank.
- 8. Wuhan shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Social and Environment Protection

- 9. Wuhan shall, in the carrying out of the Project, implement or cause to be implemented the RAP and the EMP, all in a manner and substance satisfactory to the Bank. Without limitation to the foregoing Wuhan shall:
 - (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 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 implement such arrangements in a manner and in accordance with a time schedule satisfactory to the Bank;
10. Wuhan shall not amend, suspend, abrogate, or waive the RAP and the EMP or any provision thereof, without the prior concurrence of the Bank.
11. Wuhan shall take or cause to be taken 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 and procedures satisfactory to the Bank.
12. Wuhan shall: (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 (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. Wuhan 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 Borrower not later forty-five (45) days 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.
2. Wuhan 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, Wuhan shall: (a) by February 15 and August 15 of each year, starting with August 15, 2010, furnish to the Bank semi-annual progress reports on implementation of the EMP, the RAP, 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 August 15, 2010, furnish to the Bank semi-annual progress report on project implementation; (c) by December 31, 2012, 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. Wuhan 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. Wuhan shall maintain and apply in the implementation of the Project, the Project Financial Manual. Wuhan 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, Wuhan 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. Wuhan 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 Wuhan. 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

PDO	Project Outcome Indicators	Use of Project Outcome Information
To enhance mobility for passenger trips within and to the central area of Wuhan in an environmentally sustainable, integrated, and safe manner	<p>Increased average bus travel time along Public Transport (PT) corridors during peak hours</p> <p>Average daily bus ridership along PT corridors</p> <p>Fatality reduction on PT and Road Safety (RS) corridors</p> <p>Peak hour travel times along Jiefang Dadao (between the two existing end points of the rehabilitated section)</p>	<p>Assess the enhanced level of service for bus operations along PT corridors</p> <p>Assess the impact of bus priority on bus ridership along PT corridors</p> <p>Assess improved safety for pedestrians and transport users on project corridors</p> <p>Assess the contribution of the rehabilitated section of Jiefang Dadao to (a) access to the city center; and (b) the decongestion of the city center, particularly of heavy traffic</p>
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
Improved public transport service along five high-demand corridors	Percentage of bus stops on PT corridors with enhanced accessibility for vulnerable users with accessibility defined as follows: (a) bus stops with a signalized pedestrian crossing or a grade-separated crossing within 50m; (b) bus stops within 50m of a junction; (c) unobstructed and safe access from the sidewalk	Assess the effectiveness of the investments in increasing the overall level of service for public transport along the corridors, in particular for the less-disadvantaged citizens

<p>Strengthened road safety within the Second Ring Road</p>	<p>Along PT and RS corridors:</p> <p>(a) number of intersections with traffic signals with non-conflicting pedestrian phase;</p> <p>(b) number of unsignalized zebras converted to signalized mid-block crossings on PT and RS corridors and in the area within 2nd Ring Road;</p> <p>(c) Km of physical separation between Motorized and Non-Motorized vehicle flow on PT and RS corridors</p>	<p>Assess progress of Wuhan in preventing road traffic fatalities along project's corridors</p>
<p>Improved mobility within and to the central area of Wuhan</p>	<p>Peak hour travel time along Shuidong Section of the 2nd Ring Road</p>	<p>Assess the contribution of Shuidong Section to (a) access to the city center; and (b) the decongestion of the city center, particularly of heavy traffic</p>
<p>Strengthened capacity of Wuhan in addressing key urban transport issues</p>	<p>Definition and adoption of systematic parking pricing policy and a hierarchical parking zonal system</p> <p>Definition and adoption of a bus route optimization strategy</p> <p>Number of staff trained on selected topics (in line with capacity building program) with positive assessment of training</p>	<p>Assess progress of Wuhan in defining policy strategies and approaches to address congestion and mobility for all</p>

Arrangements for results monitoring

Project Outcome Indicators	Baseline (Year 2008)	End of Project Target ²	Data Collection and Reporting ¹	
			Data Collection Instruments	Responsibility for Data Collection
				Overall responsibility for reporting: WPMO
Public Transport Component				
Average bus speed along PT corridors during peak hours (in min/km)	3.35	-10% ³	Field trips on pre-defined routes	Bus Company
Average daily bus ridership along PT corridors	4	+5%	Field trips on pre-defined routes	Bus Company
Municipal modal share of public transport (bus, ferry, metro)	24%	28%	Transport Masterplan Review Process	Bus Company
Road Safety Component				
Fatality reduction on the Road Safety corridors	38 ⁵	-15% ⁶	TAIS	Traffic Police
Road Improvement Component				
Peak hour travel time (in mn) on Jiefang Dadao (Huangpu Lu/Dibian Lu)	27	20 ⁷	Field trips on pre-defined routes	Comprehensive Transport Institute

¹ An annual Monitoring Report provided as part of the semi-annual progress report will be the data collection and reporting instrument for all the listed indicators.

² Year 2015 when not specified otherwise.

³ The baseline presented here is the average bus speed on the four selected corridors weighted by corridor length. Ideally, the figures should also be weighted by traffic volumes at the time of the improvement; a parameter currently unavailable. Note that the different corridors will be implemented at different times and it is also possible that the corridors will be changed. As appropriate the baseline will be updated to reflect actual project implementation. The key indicator of interest, however, remains a 10 percent reduction in average bus speeds on corridors financed by the project.

⁴ The baseline values for this indicator will be provided 3 months prior to the commencement of civil works for each corridor along which it will be measured. At the time of appraisal, this indicator was expected to be measured on Heping Dadao, Hanyang Dadao, and Yingwu Dadao and not on Jiefang Dadao and Xinhua Lu/ Youyi Lu because of the impact of the opening by 2012 of metro line no 2 (for Xinhua Lu/Youyi Lu) and the extension of metro line no 1 (for Jiefang Dadao).

⁵ Average number of fatalities on the 5 Road Safety corridors between 2006 and 2008 (which was quite stable at about 38 per year).

⁶ The baseline presented here is the aggregation of fatalities on the project corridors. Note that the different corridors will be implemented at different times and it is also possible that the corridors will be changed. As appropriate, the baseline will be updated to reflect actual project implementation. The key indicator of interest, however, remains the 15 percent reduction of fatalities on corridors financed by the project.

⁷ Target within 1 month of traffic opening (planned to be in 2013).

Intermediate Outcome Indicators	Baseline	End of Project Target	Data Collection and Reporting	
			Data Collection Instruments	Responsibility for Data Collection
Public Transport Component				
Percentage of bus stops on PT corridors with enhanced accessibility for vulnerable users	67% ⁸	100%	Surveys	Traffic Police
Road Safety Component⁹				
Number of intersections with traffic signals with non-conflicting pedestrian phase	9 out of 60 intersections	60 intersections	Surveys	Traffic Police
Number of unsignalized zebras converted to signalize mid-block crossings	0	49	Surveys	Traffic Police
Km of physical separation between Motorized and Non-Motorized vehicle flow	28.8km out of total 46.9km	33.3 km out of total 46.9km	Surveys	Traffic Police
Road Improvement Component				
Peak hour travel time (in mn) between two pairs of origin-destination points on the Shuidong Section of the 2nd RR	22 ¹⁰	15 ¹¹	Field trips on pre-defined routes	Comprehensive Transport Institute
Institutional Development and Capacity Building Component				
Definition and adoption of a bus route optimization strategy		X		WPMO
Definition and adoption of systematic parking pricing policy and a hierarchical parking zonal system		X		WPMO
Number of staff trained on selected topics (in line with capacity building program) with positive assessment of training	0%	100%		WPMO

⁸ The key indicator of interest is the percentage of bus stops on PT corridors with enhanced accessibility for vulnerable users. The current baseline is calculated by aggregating accessible bus stops across the 4 appraised project corridors. If there is a change of corridors in the course of implementation, the baseline would have to be updated accordingly. The end of project target, however, will remain 100%.

⁹ Total number aggregated for the 5 Road Safety corridors.

¹⁰ For the baseline, the following road section was considered: Xudong Dajie (from Heping Dadao to Zhongbei Lu Yangchang Xian).

¹¹ Target within 1 month of traffic opening (planned to be in 2014).

