Project Agreement

(Guangdong Agricultural Pollution Control Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting in its own capacity
and
as an Implementing Agency of the Global Environment Facility

and

GUANGDONG PROVINCE

Dated February 28, 2014
PROJECT AGREEMENT

Agreement dated February 20, 2014, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") acting in its own capacity and as an Implementing Agency of the Global Environment Facility (GEF), and GUANGDONG PROVINCE ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement of same date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank, acting in its own capacity ("Loan Agreement"), and the GEF Grant Agreement of same date between the Borrower and the Bank, acting as an implementing agency of the GEF ("GEF Grant 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) and the Standard Conditions (as defined in Section 1.01 of the GEF Grant 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, the GEF Grant Agreement, the General Conditions (as defined in the Loan Agreement), or the Standard Conditions (as defined in the GEF Grant Agreement).

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 carry out the Project in accordance with the provisions of Article V of the General Conditions and Article II of the Standard 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 otherwise agree, the Project Implementing Entity shall 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 Representative is its Governor, any one of its Vice Governors; or such other 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.

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

3.03. The Project Implementing Entity's Address is:

Department of Agriculture, Guangdong Province
No. 135, Xianlie Dong Road
Guangzhou 510500
People's Republic of China
Facsimile: (86 20) 37288715
AGREED at Beijing, People’s Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Klaus Rohland
Title: Country Director, China

GUANGDONG PROVINCE

By

Authorized Representative

Name: Lin Chunxin
Title: Deputy Director-General

Guangdong Provincial Finance Department
SCHEDULE - Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain, and cause to be maintained, the following organizations, with terms of reference, powers, functions, and other resources satisfactory to the Bank, including competent staff in adequate numbers, throughout the period of Project implementation:

(a) At the provincial level:

(i) a Steering Committee (PSC) led by a Vice Governor of the Project Implementing Entity with representatives from the Provincial Development and Reform Commission (DRC), Department of Finance (DOF), Department of Environmental Protection (DEP) and Department of Agriculture (DOA), to oversee the implementation of the Project;

(ii) a leading group headed by the DOA Director General, and consisting of DOA divisions related to project activities, to supervise DOA's activities and provide advice and guidance on key project implementation issues;

(iii) a Project Management Office (PMO), headed by a Deputy Director General of DOA with overall responsibility for Project implementation; and

(iv) Technical Experts Group within the DOA staffed with technical experts with various specializations relevant to the Project, to review and evaluate technical documents and design and provide solutions to technical issues.

(b) In each of the Project Counties and Municipalities:

(i) a steering committee chaired by the deputy head of the respective local government to oversee the preparation and implementation of the Project at the country or municipality level;

(ii) a leading group headed by the director of the relevant agriculture bureaus, and provide advice and guidance on key project implementation issues at the country or municipality level; and

(iii) a Project Management Unit (PMU) headed by the deputy director of the agricultural bureau of each Project county or Project municipality, to in the case of the Project counties, implement Part 1 of the Project within its jurisdiction and, in case of the Project municipalities, assist
the PMO with day-to-day Project implementation within its jurisdiction.

B. Project Implementation

1. Project Implementation Manual (PIM)

The Project Implementing Entity shall: (a) carry out the Project in accordance with the PIM; and (b) not amend, waive or abrogate any provisions of the PIM without the prior concurrence of the Bank. In the case of any inconsistency between the PIM and the Loan Agreement or this Agreement, the provisions of the Loan Agreement or this Agreement shall prevail.

2. Annual Work Plans

The Project Implementing Entity shall:

(a) prepare, by no later than November 1 of each year, an annual work plan and budget for the implementation of the Project during the following year, in accordance with guidelines acceptable to the Bank and the procedures set forth in the PIM; and

(b) thereafter, carry out the Project during the following calendar year in accordance with such annual work plan as shall been agreed with the Bank.

C. Anti-Corruption

The Project Implementing Entity 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 shall carry out the Project in accordance with the provisions of the Environmental Management Plan, the Pest Management Plan and the Resettlement Policy Framework and, except as the Bank shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof. In the event of any inconsistency between the Safeguards Instruments and this Agreement, the provisions of this Agreement shall prevail.

2. Without limitation upon the foregoing, the Project Implementing Entity shall ensure that each contract for civil works to be financed out of the proceeds of the Loan shall include the obligation of the relevant contractor to carry out such works in accordance with the Environmental Management Plan.

3. The Project Implementing Entity shall provide to the Bank for its prior concurrence any proposed modification or waiver of the Environmental Management Plan, and put into effect only such modification or waiver as shall have been agreed with the Bank.
4. Wherever required pursuant to the terms of the Resettlement Policy Framework on account of a Project activity, the Project Implementing Entity shall, for the purposes of such activity and prior to the commencement thereof, proceed to have an Resettlement Action Plan:

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

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

(c) thereafter, adopted and locally disclosed and implemented in accordance with its terms and in a manner satisfactory to the Bank.

5. Without limitation upon its other reporting obligations under Section II, of this Schedule, the Project Implementing Entity shall take all measures necessary to regularly collect and compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:

(a) measures taken in furtherance of said Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

E. Sub-financings

1. IC Card System

(a) For purposes of Part 1 of the Project, the Project Implementing Entity shall use its computerized system for storing and validating basic information on Beneficiaries and their eligible Project support in order to facilitate the procurement by such Beneficiaries of goods and services at a subsidized price from certified suppliers and service providers under the Project.

(b) The information pertaining to benefits under the Project to be stored in the IC Card System shall be publically disclosed on the website of each PMU and in each Project Village prior to such information being stored in the IC Card System.

(c) The Project Implementing Entity shall issue IC Cards to Beneficiaries on the terms and conditions set out in the PIM.

(d) The PMUs and the PMO shall collect IC Card records from Suppliers and Service Providers to verify the provision of goods and services, and make payments to such Suppliers and Service Providers on the basis of such records and verifications, and in accordance with the terms and conditions and the formulae set out in the PIM.
2. **Fertilizers and Pesticides under Parts 1 (a) and 1 (b) of the Project**

In order to benefit from Subsidies under Part 1 (a) and Part 1 (b) of the Project, Beneficiaries shall purchase fertilizers, pesticides or equipment from approved Suppliers using an IC Card. The pre-determined Subsidy shall be paid to the Suppliers, based on IC Card records, once the Beneficiaries have purchased the fertilizers, pesticide or sprayers and paid their own share, all in accordance with the terms and conditions set out in the PIM.

3. **Development of Fertigation Facilities under Part 1 (a) (ii) (C) of the Project**

For the purposes of Part 1 (a) (ii) (C) of the Project, the Project Implementing Entity, through the relevant PMU, shall make output based Sub-grants to Beneficiaries under terms, conditions and procedures acceptable to the Bank, and pursuant to a Fertigation Sub-grant Agreement between the Project Implementing Entity, acting through the relevant PMU, and the Beneficiary on terms and conditions approved by the Bank and set forth in the PIM and which shall include the following:

(a) the amount of the Fertigation Sub-grant, a description of the Fertigation Sub-project, the eligible technologies and expenditures, a budget, the performance indicators, and the disbursement milestones and arrangements;

(b) that disbursement of the Fertigation Sub-grant shall be made upon verification by the relevant PMU of achievement by the Beneficiary of the milestones set forth in the Fertigation Sub-grant Agreement; and

(c) the obligation of the Beneficiary to:

(i) carry out the Fertigation Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, and social standards and practices satisfactory to the Bank, including the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Borrower, the PIM and the Safeguards Instruments; and

(ii) enable the Borrower, the Bank, and the Project Implementing Entity to inspect the Fertigation Sub-project, its operation, and any relevant records and documents.

The Project Implementing Entity shall exercise its rights under each Fertigation Sub-grant Agreement in such a manner as to protect the interests of the Project Implementing Entity and the Bank and to accomplish the purposes of the Sub-grant. Except as the Bank shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any Fertigation Sub-grant Agreement or any provision thereof.
4. Professional Pest Management under Part 1 (b) of the Project

(a) In order to benefit from Subsidies under Part 1 (b) of the Project, Beneficiaries shall procure professional pest management services from Service Providers using their IC Cards. The pre-determined Subsidy shall be paid to the Service Providers, based on IC Card records, once the services and goods have been provided in a manner satisfactory to the relevant Village Committee, all as provided for in the PIM.

(b) To this end, the Project Implementing Entity through the relevant PMU shall enter into a tripartite agreement among itself, the relevant Village Committee and Service Provider or Supplier on terms and conditions acceptable to the Bank, as set out in the PIM, providing for payments to be made to such Service Provider or Supplier based on the formula set out in the PIM. upon provision of pest management services and goods to Beneficiaries in a manner satisfactory to the PMU.

5. Conservation Agriculture (CA) Pilots under Part 1 (c) of the Project

For the purposes of Part 1 (c) of the Project, the Project Implementing Entity, through the PMO shall make a CA Pilot Sub-grant to each CA Pilot Beneficiary pursuant to a CA Pilot Sub-grant Agreement between the PMO and the CA Pilot Beneficiary on terms and conditions approved by the Bank and set forth in the PIM and which shall include the following, that the PMO, shall pay to the CA Pilot Beneficiary on an annual basis, a pre-determined amount to cover part of his or her operating costs, upon verification by the PMO that the CA Pilot has been carried out in accordance with the agreed practices promoted by the Project as described in the PIM.

6. Safe Agricultural Farms or Green or Organic Agricultural Products Certification under Part 1 (d) of the Project

The Project Implementing Entity through the PMO shall pay to a Certification Beneficiary a pre-determined amount as set out in the PIM upon verification by the PMO that the Beneficiary’s farm has been certified by DOA as a Safe Agricultural Product Site, or the Beneficiary’s products have been certified by the Ministry of Agriculture as Green Agricultural Products or Organic Agricultural Products, to cover part of the costs of such certification, as an incentive for such Beneficiary to undergo the certification process.

7. Livestock Waste Management Sub-projects under Part 2 (a) of the Project

For the purposes of Part 2 (a) of the Project, the Project Implementing Entity, through the PMO, shall make LWM Sub-grants to Beneficiaries to partially finance the construction of livestock waste management facilities to promote the proper collection and treatment of pig manure in accordance with eligibility criteria and procedures acceptable to the Bank, which shall include those set forth in Part A of the Annex to this Schedule.
8. **Livestock Waste Management Sub-projects under Part 2 (b) of the Project**

For the purposes of Part 2 (b) of the Project, the Project Implementing Entity, through the PMO, shall make output based Sub-grants to Beneficiaries to partially finance the construction of pilot high-rise pig production facilities in accordance with procedures acceptable to the Bank, which shall include those set forth in Part B of the Annex to this Schedule.

9. **Incremental Operating Costs of Village Committees**

(a) The Project Implementing Entity, through the PMO, shall enter into agreements under terms and conditions acceptable to the Bank and as set out in the PIM with each Village Committee providing for such Village Committee to organize Beneficiaries for the purposes of participating in activities under Part 1 of the Project.

(b) The Project Implementing Entity, through the PMO, shall pay to each Village Committees an annual amount to cover its incremental operating costs, such amount to be determined based partly on the performance of such Village Committee in carrying out its obligation under the said agreement.

**Section II. Project Monitoring, Reporting and Evaluation.**

A. **Project Reports**

1. The Project Implementing Entity: (a) 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 agreed with the Bank and set forth in the PIM. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than March 15 and September 15 in each year, commencing September 15, 2014; and (b) without limitation upon the provisions of the preceding sub-paragraph, by no later than December 31, 2016 carry out a mid-term review of the Project, under terms of reference acceptable to the Bank.

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 and 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. Without limitation on the provisions of Part A of this Section, the Project Implementing
Entity shall prepare and furnish to the Bank as part of the Project Report not later than March 15 and September 15 each year, interim un-audited financial reports for the Project covering the preceding calendar semester, in form and substance satisfactory to the Bank.

3. 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 fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six 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

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 TO SCHEDULE - Livestock Waste Management Sub-projects

A. **LWM Sub-projects under Part 2 (a) of the Project**

1. The Project Implementing Entity shall select LWM Beneficiaries for LWM Sub-projects under Part 2 (a) of the Project in accordance with eligibility criteria approved by the Bank and set forth in the PIM, which shall include the following, that the Beneficiary:

   (a) has a farm with a standing pig population of 3,000 or more;

   (b) is located outside of areas banned for livestock production (as defined by the provincial and local authorities);

   (c) has demonstrated a willingness to participate in the Project;

   (d) has demonstrated commitment to achieving environmental compliance including full treatment of pig wastes and proper utilization and/or disposal of treated solids and liquids;

   (e) has demonstrated sound financial performance; and

   (f) has demonstrated that he/she/it has sufficient resources to fund at least 35% of approved costs of the Sub-project.

2. The Project Implementing Entity, through the PMO, shall review and approve applications for LWM Sub-grants under Part 2 (a) of the Project.

B. **LWM Sub-projects under Part 2 (b) of the Project**

The Project Implementing Entity shall make LWM Sub-grants under Part 2 (b) of the Project to the pre-selected LWM Beneficiaries as specified in the PIM.

C. **Terms and Conditions for LWM Sub-projects**

1. The Project Implementing Entity shall make a LWM Sub-grant to each LWM Beneficiary pursuant to a LWM Sub-grant Agreement between the Project Implementing Entity, acting through the PMO, and the LWM Beneficiary on terms and conditions approved by the Bank and set forth in the PIM and which shall include the following:

   (a) the amount of the LWM Sub-grant, a description of the LWM Sub-project, the eligible technologies and expenditures, a budget, the performance indicators, and the disbursement milestones and arrangements;

   (b) disbursement of the LWM Sub-grant upon verification by the Project Implementing Entity of achievement by the LWM Beneficiary of the milestones set forth in the LWM Sub-grant Agreement and on the basis of evidence of expenditures incurred;
the right of the Project Implementing Entity to suspend or terminate the right of the Beneficiary to use the proceeds of the LWM Sub-grant, or obtain a refund of all or any part of the amount of the LWM Sub-grant then withdrawn, upon the LWM Sub-grant Beneficiary's failure to perform any of its obligations under the LWM Sub-grant Agreement; and

(d) the obligation of the Beneficiary to:

(i) carry out the LWM Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, and social standards and practices satisfactory to the Bank, including the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Borrower, the PIM and the Safeguards Instruments;

(ii) provide, promptly as needed, the resources required for the purpose of the LWM Sub-project, including the funds required pursuant to any cost-sharing arrangement set forth in the PIM or the LWM Sub-grant Agreement;

(iii) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of the LWM Sub-project and the achievement of its objectives;

(iv) enable the Borrower, the Bank, and the Project Implementing Entity to inspect the LWM Sub-project, its operation, and any relevant records and documents; and

(v) prepare and furnish to the Borrower, the Bank, and the Project Implementing Entity all such information as the Borrower, the Bank, or the Project Implementing Entity shall reasonably request relating to the foregoing.

2. The Project Implementing Entity shall exercise its rights under each LWM Sub-grant Agreement in such manner as to protect the interests of the Project Implementing Entity and the Bank and to accomplish the purposes of the Sub-grant. Except as the Bank shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any LWM Sub-grant Agreement or any provision thereof.