Project Agreement

(Anhui Yellow Mountain New Countryside Demonstration Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ANHUI PROVINCE

Dated March 21, 2014
PROJECT AGREEMENT

Agreement dated March 4, 2014, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and ANHUI PROVINCE ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between 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. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity, through Huangshan Municipality, shall carry out the Project in accordance with the provisions of Article V of the General 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 shall otherwise agree, the Project Implementing Entity, through Huangshan Municipality, 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 or a Vice-Governor or such other person or persons as said Governor or a 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: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)

3.03. The Project Implementing Entity's Address is:

Project Management Office
6th Floor
Huangshan Municipal Government Building
Huangshan
Anhui Province
People's Republic of China

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

ANHUI PROVINCE

By

Authorized Representative
Name: Zhan Xiaolan
Title: Executive Vice Governor
SCHEDULE

Section I. Implementation Arrangements

A. Institutional and Implementation Arrangements

1. Throughout the period of Project implementation, the Project Implementing Entity shall maintain, through Huangshan Municipality, the following groups and offices, with membership, terms of reference, staffing and other resources acceptable to the Bank:

   (a) a Project Leading Group at the municipal level, that shall be responsible for providing overall leadership, coordination and policy guidance, reviewing annual work plans and budgets, ensuring inter-agency coordination, and evaluating progress of the Project;

   (b) a Project Management Office at the municipal level, that shall be responsible for, inter alia, overall coordination, management and monitoring, annual budget and work plan preparation and review quality assurance, preparation of progress reports, technical review, management of contracts, and procurement and financial management of the Project;

   (c) a Project Management Unit in each county or district that shall be responsible for, inter alia, coordination, management and monitoring, annual budget and work plan preparation and review quality assurance, preparation of progress reports, technical review, management of contracts, and procurement and financial management; and

   (d) a Technical Expert Group at the municipal level, including experts with adequate qualifications and experience in transport, water supply and sanitation, cultural heritage, tourism, agriculture, and environment, to be responsible for advising the Project Management Office on technical and institutional matters relating to Project implementation.

2. The Project Implementing Entity, through Huangshan Municipality, shall: (a) furnish to the Bank, for approval, a prospective annual work and budget plan for the Project by November 15 of each year of Project implementation, commencing on November 15, 2014, including details on the planned program of activities, procurement plan and budget for the following calendar year in form and substance as set forth in the Operational Manual; and (b) carry out, or cause to be carried out, the Project activities in accordance with each approved annual work and budget plan.

3. The Project Implementing Entity, through Huangshan Municipality, shall engage consultants in adequate numbers, with expertise, terms of reference, qualifications and experience, acceptable to the Bank, as required for the appropriate supervision and implementation of civil works and other activities under the Project.
4. Throughout the implementation of the Project, the Project Implementing Entity, through Huangshan Municipality, shall apply the Operational Manual in a timely and efficient manner satisfactory to the Bank. The Project Implementing Entity, through Huangshan Municipality, shall not amend, suspend, or waive said Operational Manual or any provision or schedule thereof, without the prior written concurrence of the Bank. In the event of any inconsistency between the terms of the Operational Manual and those of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity, through Huangshan Municipality shall:
   (a) Take all necessary actions to minimize, to the extent possible, 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 of the Project;
   (b) prior to the commencement of any civil works under the Project, implement the RAP, as applicable, in accordance with its respective terms and in a manner satisfactory to the Bank; and
   (c) 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, prepare and submit to the Bank for its review, a resettlement action plan prepared in accordance with the principles and procedures set forth in the Resettlement Policy Framework and, thereafter, implement, or cause to be implemented, such Resettlement Action Plan in accordance with its terms and in a manner acceptable to the Bank.

2. The Project Implementing Entity, through Huangshan Municipality, shall carry out all Project activities in accordance with the EMP and its associated ECOPs; in a manner satisfactory to the Bank and ensure that the Project is implemented in accordance with sound environmental practices and standards. Without limitation to the foregoing, the Project Implementing Entity, through Huangshan Municipality, shall ensure that each contract for works financed with the proceeds of the Loan shall include the obligations of the works contractors and any sub-contractor to comply with the relevant provisions of the EMP, as applicable.

3. The Project Implementing Entity, through Huangshan Municipality, shall:
   (a) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the
EMP and the relevant ECOPs, the RPF and the RAP, as well as the achievement of the objectives of said instruments, including the engagement of experienced and qualified independent monitoring agencies acceptable to the Bank; and

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank (as part of the Project Reports) by February 15 and August 15 in each year, commencing on August 15, 2014, semi-annual reports of the results of the monitoring and evaluation activities with respect to the EMP and the relevant ECOPs, the RPF and RAP referred to in sub-paragraph (a) above, together with any revisions proposed to be introduced into said instruments in order to achieve their respective objectives. The information on the status of compliance with the EMP, the RPF and the RAP shall provide, inter alia, details of:

(i) measures taken in furtherance of such instruments;

(ii) conditions, if any, which interfere or threaten to interfere with a smooth implementation of the Project; and

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

4. Throughout Project implementation the Project Implementing Entity, through Huangshan Municipality, shall:

(a) (i) periodically inspect and evaluate the safety status of the Qiyunshan and Qiaokengwu dams, their appurtenances and performance history; (ii) review and evaluate the compliance of said dams' operation and maintenance procedures with the related national standards and the Bank’s Policy on Safety of Dams; and (iii) prepare and provide written reports of findings and recommendations for any remedial work to ensure the safety of the Qiyunshan and Qiaokengwu dams; and

(b) no later than December 15 in each year, beginning December 15, 2014, furnish to the Bank for its review and comment a draft annual dam safety action plan, summarizing the actions taken in said year and the actions proposed to be taken in the following calendar year in respect of any remedial works or safety measures recommended by the Bank for the relevant dams, with the objective of ensuring that the physical works completed or to be completed under the Project are not at risk.

5. The Project Implementing Entity, through Huangshan Municipality, shall not amend, abrogate or waive any provision of the EMP, the RPF or the RAP without the prior written agreement of the Bank. In the event of any inconsistency between the provisions of said instruments, and those of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.
D. Sub-grants

1. Prior to the carrying out of any Rehabilitation Activities and/or Community Association Development Activities under Parts B.1, C.1 and C.2 of the Project, the Project Implementing Entity, through Huangshan Municipality, shall enter into Sub-grant Agreements for the provision of Sub-grants, and such agreements shall include, in addition to those set forth in the Operational Manual, the following terms and conditions:

(a) the amount of the Sub-grant, a description of the activity being supported (either being a Sub-grant Rehabilitation Activity or a Community Association Development Activity), eligible expenditures and a budget, the performance indicators, and any disbursement milestones and arrangements;

(b) disbursement of the Sub-grant upon verification by Huangshan Municipality of achievement by the Sub-grant Eligible Beneficiary of the milestones set forth in the Sub-grant Agreement and on the basis of evidence of expenditures incurred;

(c) the right of Huangshan Municipality to suspend or terminate the right of the Sub-grant Eligible Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Sub-grant Eligible Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and

(d) the obligation of the Sub-grant Eligible Beneficiary to:

(i) carry out the Sub-grant activities 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, the Operational Manual and the EMP;

(ii) provide, promptly as needed, the resources required for the purpose of the Sub-grant activities, including the funds required pursuant to any cost-sharing arrangement set forth in the Operational Manual or the 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 Sub-grant activity and the achievement of its objectives;

(iv) procure any goods and services to be financed out of the Sub-grant in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and use such goods and services exclusively in the carrying out of the approved Sub-grant activity;

(v) enable the Bank and Huangshan Municipality to inspect the Sub-grant activity, its operation, and any relevant records and documents; and
(vi) prepare and furnish to Huangshan Municipality and the Bank, all such information as the Bank and/or Huangshan Municipality shall reasonably request relating to the foregoing.

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

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity, through Huangshan Municipality, 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 indicators agreed with the Bank and set forth in the Operational Manual. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

2. The Project Implementing Entity, through Huangshan Municipality, shall provide to the Bank, for its review and comment: (a) a mid-term review report to the Bank by July 1, 2016; (b) a Project implementation completion report (ICR) before the Closing Date, all in form and substance acceptable to the Bank; and (c) no later than one month after the submission of the report referred to in (b) above, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain, and ensure that Huangshan Municipality maintains, 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, through Huangshan Municipality, shall prepare and furnish to the Bank, as part of the Project Report, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Project Implementing Entity shall have, and cause Huangshan Municipality to 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.