Project Agreement

(Sichuan Wudu Irrigated Agriculture Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SICHUAN PROVINCE

Dated May 8, 2012
PROJECT AGREEMENT

AGREEMENT dated May 8, 2012, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and SICHUAN PROVINCE ("Sichuan" or "Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of the same date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank.

The Bank and Sichuan hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in Appendix 1 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. Sichuan declares its commitment to the objectives of the Project. To this end, Sichuan shall:

(a) carry out and cause the Project to be carried out in accordance with the provisions of Article V of the General Conditions; 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 Sichuan shall otherwise agree, Sichuan shall carry out the Project or shall cause the Project to be carried out in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

3.01. Sichuan’s Representative is the Governor or the Vice Governor of Sichuan, or such other person or persons as may be designated in writing by either the Governor or Vice Governor.
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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. Sichuan’s Address is:

Foreign Affairs and Debts Division
Sichuan Provincial Finance Department
37 Nanxin Street
Chengdu City
Sichuan Province
People’s Republic of China

Facsimile: 86-28-8666-7231

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

SICHUAN PROVINCE

By Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Project Management

1. Sichuan shall, with respect to the organizational structure established by Sichuan with the agreement of the Bank for the purpose of implementing the Project, maintain, and cause to be maintained, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:

(a) the Provincial Project Leading Group chaired by the Director General or the Deputy Director General of the Sichuan Provincial Finance Department, or his/her delegate, comprising all relevant agencies at the Provincial level and responsible for liaising with central government agencies concerning the Project and providing overall policy guidance;

(b) the Municipal Project Leading Group at the municipal level in Mianyang City of Sichuan chaired by the Vice Mayor of Mianyang City and consisting of members from the Municipal Finance Bureau and all other relevant agencies of the City and responsible for overseeing the overall implementation of the Project, making decision on key Project issues and carrying out interagency coordination at the municipal level as well as coordination with the Provincial Project Leading Group referred to in clause (a) above;

(c) the Municipal Project Management Office located within the Sichuan Wudu Water Diversion Management Bureau (the Bureau) and responsible for Project management and implementation at the municipal level as well as reporting on progress and implementation issues to the Bureau and the Municipal Project Leading Group referred to in clause (b) above;

(d) a County Project Leading Group in each of the Project Counties responsible for Project implementation, coordination and decision making at the county level; and

(e) a County Project Management Office in each of the Project Counties located within the respective county level bureau of the Wudu Scheme and responsible for Project management and implementation at the respective County level as well as reporting on progress and
implementation issues to the respective County Project Leading Group referred to in clause (d) above.

B. Anti-Corruption

Sichuan shall and shall cause the Mianyang City to carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Plan and Safeguards

1. Sichuan shall apply in the implementation of the Project, the Project Implementation Plan, in a manner satisfactory to the Bank. Sichuan shall not amend, suspend, or waive said Project Implementation Plan or any provision thereof, without the prior concurrence of the Bank.

2. Sichuan shall, in carrying out the Project, apply the measures and actions set forth in the RAP in a timely and efficient manner satisfactory to the Bank. In addition, in carrying out the activities under the Project, Sichuan shall:

   (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, before initiating the implementation of any works which would result in such acquisition or displacement, provide 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, based on adequate consultation with said people 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 based on adequate consultation with said people in accordance with the RAP and implement such arrangements in a manner and in accordance with a time schedule satisfactory to the Bank; and

   (c) take all necessary actions to address any issues that may arise with respect to any acquisition of land or assets or the displacement of people or any other adverse impact on people including their resettlement or rehabilitation from the construction of the Wudu Dam and the Wudu
Reservoir in accordance with principles, procedures and arrangements satisfactory to the Bank including those set out in the RAP.

3. Sichuan shall in carrying out the Project implement or cause to be implemented the EMP (including, measures for avoidance of or mitigation against adverse impact on natural habitats or physical cultural resources), and the PMP in a manner satisfactory to the Bank, ensure that the Project is implemented in accordance with sound environmental and pesticide management practices and standards, and where applicable, shall avoid or mitigate against adverse impact on natural habitats and physical cultural resources.

4. Sichuan shall furnish to the Bank an annual implementation plan, by November 30 in each year, beginning on November 30, 2012, (a) summarizing the implementation status of the Project to date, including those under the Project Implementation Plan, the RAP, the EMP and the PMP; (b) setting out the activities to be undertaken in the following calendar year for implementing the Project, including activities drawn from the Project Implementation Plan, the RAP, the EMP and the PMP as well as budget and other resources required in respect thereof; (c) taking into account the Bank's comments, finalize and provide to the Bank no later than December 31 in each year beginning on December 31, 2012 said annual implementation plan for the following calendar year in a manner satisfactory to the Bank; and (d) implement the Project in accordance with, inter alia, said annual implementation plan and in a manner satisfactory to the Bank. Without limitation to any other provision of this Agreement, Sichuan shall, during calendar year 2012, carry out the Project in accordance with, inter alia, the annual implementation plan for said year agreed to with the Bank, and in a manner satisfactory to the Bank.

5. Sichuan shall not amend, suspend, fail to enforce or waive the RAP, the EMP, the PMP or any annual implementation plan referred to in paragraph 4 hereof, or any provision of any such plan without the prior written approval of the Bank.

6. Sichuan 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 or other measures to be taken for failure to carry out said requirements.
7. Sichuan shall: (a) engage and retain the services of independent consultants to carry out external monitoring and reporting, on an annual basis, under terms of reference satisfactory to the Bank, of compliance with the implementation of the RAP; and (b) implement the recommended measures in a prompt and efficient manner satisfactory to the Bank, in order to improve compliance with the RAP.

8. Sichuan shall: (a) maintain the Dam Safety Panel under terms of reference, including a time-table and adequate budget for its activities, satisfactory to the Bank to, *inter alia*, review the safety aspects of Upstream Dams, recommend any needed safety measures, review and provide comments on the Dam Safety Plans, and review the design and construction of the Project Dam; and (b) cause the Dam Safety Panel to carry out its function as set out in its terms of reference and to provide to the Bank and Sichuan annual reports of findings and recommendations for any safety related measures.

9. Sichuan shall no later than November 30 in each year, beginning on November 30, 2012, furnish to the Bank an annual dam safety action plan for the Upstream Dam and the Project Dam for the following year, and shall implement said plan in a manner satisfactory to the Bank.

10. Sichuan shall prepare and provide to the Dam Safety Panel and the Bank the Dam Safety Plans for the Project Dam in accordance with a timeframe related to the progress of the design and construction of said Dam satisfactory to the Bank. Sichuan shall implement said Plans in a manner satisfactory to the Bank, and shall not amend, abrogate, repeal, waive, or fail to enforce any provisions of any such Plan without the prior concurrence of the Bank.

11. Sichuan shall:

   (a) retain the Dam Safety Panel until the Panel is satisfied, after the filling up of the reservoir related to the Project Dam, with the start-up of operation of said Dam, and a report relating thereto is provided by the Panel to the Bank and Sichuan; and

   (b) establish and implement arrangements, satisfactory to the Bank, for the periodical inspection of the Upstream Dams and the Project Dam, in accordance with sound engineering practice and evolving technical criteria, by independent qualified professionals who have not been involved with their investigation, design, construction or operation.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. Sichuan shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in Annex A to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by February 15 and August 15 in each year, beginning on August 15, 2012.

2. Sichuan shall, not later than June 30, 2015 review with the Bank (mid-term review) the progress made in the implementation of the Project, together with any recommendation the Borrower or the Bank may have on measures to be taken to ensure the efficient completion of the Project and to achieve the objectives thereof.

B. **Financial Management, Financial Reports and Audits**

1. Sichuan 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, resources and expenditures related to the Project.

2. Sichuan 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 Sichuan. 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.

3. Without limitation on the provisions of Part A of this Section, Sichuan shall prepare and furnish to the Bank as part of the Project Reports by not later than February 15 and August 15 in each year after the end of each calendar semester, interim un-audited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Bank.

4. Sichuan shall install and operationalize for use the Procurement and Financial Management Information System no later than forty-five (45) days after the Effective Date, and thereafter apply the system in order to monitor the entire procurement process and financial transactions under the Project in a manner satisfactory to the Bank.
Section III.  **Procurement**

All works and services required for the Project 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.

Section IV.  **Other Undertakings**

1. Sichuan shall, with respect to the irrigation system constructed under Part 1 of the Project, in order to ensure the proper operation and maintenance of such system, at least three months (3) prior to the completion of each facility under such system, prepare and furnish to the Bank for review and comment a proposed operation and maintenance plan for such facility, including institutional, technical and financial arrangements, and, thereafter, ensure the prompt implementation of each such plan, taking into account the views of the Bank thereon.

2. For the purpose of carrying out Part 2.1(a) of the Project, Sichuan shall, in accordance with provisions of the WUA Manual, take adequate steps to facilitate the establishment of a WUA in each Project County with the objective of securing the participation of the WUA in carrying out on-farm works under said part of the Project as well as in the operation and maintenance of said works after their completion under arrangements, satisfactory to the Bank, including those set out in the WUA Manual.

3. Sichuan shall within four (4) months of completing each branch canal under Part 1 of the Project prepare a program, in accordance with the irrigation development plan of Mianyang City, satisfactory to the Bank, for extending the community demand driven approach of carrying out on-farm works from the demonstration areas under Part 2.1(a) of the Project to other parts of the Project Area serviced by each said canal. Sichuan shall cause Mianyang City to allocate the required budgetary and other resources needed for implementing said program, and to implement said program in accordance with a timeframe and arrangements satisfactory to the Bank.
### Annex A to Schedule
Performance Monitoring Indicators

#### Results Framework

<table>
<thead>
<tr>
<th>PDO Level Results Indicators</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</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>1. Increased new effective irrigated area with the project</td>
<td>☐</td>
<td>10,000 Mu</td>
<td>0.00</td>
<td>2012 - 2017</td>
<td>Once a year</td>
<td>Design and actual Data</td>
<td>Wudu Bureau By independent consultant</td>
</tr>
<tr>
<td>2. Annual value of agricultural production per mu</td>
<td>☐</td>
<td>Yuan/yr</td>
<td>1,450</td>
<td>2012 - 2017</td>
<td>Once a year</td>
<td>Data collected in the field</td>
<td>Wudu Bureau By independent consultant</td>
</tr>
<tr>
<td>3. Annual amount of industrial and domestic water supply</td>
<td>☐</td>
<td>10,000 m³/yr</td>
<td>9,525</td>
<td>2012 - 2017</td>
<td>Once a year</td>
<td>Design and actual Data</td>
<td>Wudu Bureau By independent consultant</td>
</tr>
<tr>
<td>4. Number of farmers (and female farmers) benefited from the supplementary irrigation</td>
<td>☐</td>
<td>10,000 Persons</td>
<td>0</td>
<td>2012 - 2017</td>
<td>Once a year</td>
<td>Data collected in the field</td>
<td>Wudu Bureau By WUAs or villages</td>
</tr>
<tr>
<td>5. Number of O&amp;M plans prepared and implemented for both main and on-farm systems</td>
<td>☐</td>
<td>Plan</td>
<td>0</td>
<td>2012 - 2017</td>
<td>Twice a year</td>
<td>Data collected in the field</td>
<td>Wudu Bureau and its county Branches By independent consultant</td>
</tr>
</tbody>
</table>

#### INTERMEDIATE RESULTS

**Intermediate Result Indicators (Component One): Construction of Main Irrigation Systems**

<table>
<thead>
<tr>
<th>Intermediate Result Indicators</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</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>6. Length of Xizi canal completed</td>
<td>☐</td>
<td>Km</td>
<td>0.00</td>
<td>Twice a year</td>
<td>Data collected on site</td>
<td>Wudu Bureau</td>
<td>By supervision engineer</td>
</tr>
<tr>
<td>7. Length of sub-main or branch canals completed</td>
<td>☐</td>
<td>Km</td>
<td>0.00</td>
<td>Twice a year</td>
<td>Data collected on site</td>
<td>Wudu Bureau</td>
<td>By supervision engineer</td>
</tr>
<tr>
<td>8. Height of the dam crest completed for Jinfeng Reservoir</td>
<td>☐</td>
<td>m</td>
<td>0</td>
<td>Once a year</td>
<td>Data collected on site</td>
<td>Wudu Bureau</td>
<td>By supervision engineer</td>
</tr>
</tbody>
</table>

**Intermediate Result Indicators (Component Two): Development of CDD-based On-farm Demonstration Areas**

<table>
<thead>
<tr>
<th>Intermediate Result Indicators</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</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>9. Length of lateral and sub-lateral canals completed</td>
<td>☐</td>
<td>Km</td>
<td>0.00</td>
<td>Twice a year</td>
<td>Data collected on site</td>
<td>Wudu Bureau</td>
<td>By supervision engineer</td>
</tr>
<tr>
<td>10. Irrigation water use efficiency increased in the irrigation area</td>
<td>☐</td>
<td>%</td>
<td>35</td>
<td>Once a year</td>
<td>Measured Data</td>
<td>Wudu Bureau</td>
<td>Measured in the field</td>
</tr>
<tr>
<td>11. Annual net income of farmers increased with water provided by the project in the project areas</td>
<td>☐</td>
<td>Yuan/yr</td>
<td>2,680</td>
<td>Once a year</td>
<td>Data collected in the field</td>
<td>Wudu Bureau</td>
<td>By independent consultant</td>
</tr>
<tr>
<td>12. Agricultural value increased per unit of water</td>
<td>☐</td>
<td>Yuan/m³</td>
<td>6.50</td>
<td>Once a year</td>
<td>Data collected in the field</td>
<td>Wudu Bureau</td>
<td>By independent consultant</td>
</tr>
<tr>
<td>13. Increased number of female membership for WUAs and Producer Groups (PGs)</td>
<td>□</td>
<td>Person</td>
<td>0</td>
<td>35</td>
<td>40</td>
<td>50</td>
<td>60</td>
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<tr>
<td>14. Number of PMO staff familiarized with project concept, approach and operational procedures</td>
<td>□</td>
<td>Person</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>15. Number of female project staff participating in the domestic and overseas study tours organized by the project</td>
<td>□</td>
<td>Person</td>
<td>3</td>
<td>7</td>
<td>17</td>
<td>27</td>
<td>37</td>
</tr>
</tbody>
</table>

The number of female farmers will be collected in addition to the total number of farmers.