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LOAN NUMBER 3112-PRC

PROJECT AGREEMENT  
(Anhui Intermodal Sustainable Transport Project)

between

ASIAN DEVELOPMENT BANK

and

ANHUI PROVINCIAL GOVERNMENT

DATED 30 MAY 2014

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PRC 45021

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 30 May 2014 between ASIAN DEVELOPMENT BANK ("ADB") of the one part, and ANHUI PROVINCIAL GOVERNMENT ("APG") of the other part.

### **WHEREAS**

(A) by a Loan Agreement of even date herewith between People's Republic of China ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of two hundred million Dollars (\$200,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available, through APG, to Anhui Province Department of Transport ("APDOT") and the Borrowing Counties, and through APDOT, in part, to APPSCIG and that APG agrees to undertake certain obligations towards ADB set forth herein; and

(B) APG, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. (a) Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

(b) In addition to the terms referred to in subsection (a) hereinabove, the following terms, wherever used in this Project Agreement, unless the context otherwise requires, have the following meaning:

- (i) the expression "APDOT shall" means that APG shall cause APDOT to undertake the required responsibilities or perform the specified obligations in this Project Agreement.

## **ARTICLE II**

### **Particular Covenants**

Section 2.01. (a) APG shall cause APDOT to and APDOT shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, APG and APDOT shall perform and shall cause the IAs to perform, all obligations set forth in the Loan Agreement to the extent that they are applicable to APG and APDOT, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. APG shall cause APDOT and the Borrowing Counties to make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, APDOT shall employ and shall cause the IAs to employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, APDOT shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. APDOT shall carry out the Project and shall cause the IAs to carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. APDOT shall and shall cause the IAs to furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) APDOT shall and shall cause the IAs to take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, APDOT undertakes to, and shall cause the IAs to, insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. APG shall through APDOT maintain, and shall cause the IAs to maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB, APG through APDOT and the IAs shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) APG and APDOT shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of their obligations under this Project Agreement, the Project Implementation Agreement or the accomplishment of the purposes of the Loan.

(c) ADB, APG and APDOT shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, APG, APDOT, the IAs and the Loan.

Section 2.08. (a) APG and APDOT shall furnish to ADB all such reports and information relating to the Project as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of APDOT; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, APDOT shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, APDOT shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by APDOT of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) APG shall cause APDOT to and APDOT shall and shall cause the IAs to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest funds and statement of expenditures) and a Management Letter; and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and Management Letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose on its website the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, APG shall cause APDOT to, and APDOT shall cause APPSCIG

to (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) APG shall cause APDOT to, and APDOT shall and shall cause APPSCIG to enable ADB, upon ADB's request, to discuss the financial statements for the Project and the financial affairs of APG, APDOT and APPSCIG where they relate to the Project with the auditors appointed pursuant to subsections (a)(iii) and (c) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of APG, APDOT or APPSCIG, unless APG, APDOT or APPSCIG, as the case may be, shall otherwise agree.

Section 2.10. APG shall cause APDOT to, and APDOT shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) APDOT shall and shall cause APPSCIG to, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.

(b) APDOT shall conduct its operations and shall cause APPSCIG at all times to conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) APDOT shall at all times operate and maintain and shall cause APPSCIG at all times to operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, APDOT shall not and shall not permit APPSCIG to sell, lease or otherwise dispose of any of their assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement, the Project Implementation Agreement or the PAM.

Section 2.13. Except as ADB may otherwise agree, APG shall cause APDOT to, and APDOT shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. APG shall cause APDOT to, and APDOT shall promptly notify, and shall cause APPSCIG to promptly notify, ADB of any proposal to amend, suspend or repeal any provision of their or APPSCIG's constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. APG shall cause APDOT to, and APDOT shall afford and shall cause APPSCIG to afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

### **ARTICLE III**

#### **Effective Date; Termination**

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify APG and APDOT of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

### **ARTICLE IV**

#### **Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

For APG

98 Wanghu South Road  
Bao He District  
Hefei, Anhui Province  
People's Republic of China 230051

Facsimile Number:

(86) 551-63756190.

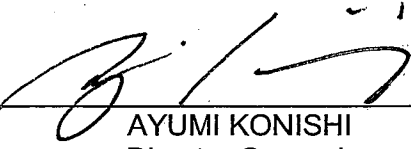
Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of (i) APG may be taken or executed by the Governor or Vice Governors, and (ii) APDOT may be taken or executed by Director General or Deputy Director General, or in each case by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) APG and APDOT shall each furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.


Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By   
AYUMI KONISHI  
Director General  
East Asia Department

ANHUI PROVINCIAL GOVERNMENT

By   
ZHAO JIANHUA  
Authorized Representative



## SCHEDULE

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. APG shall and shall cause APDOT, and APDOT shall and shall cause the IAs to ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by ADB, APG and APDOT. In the event of any discrepancy between the PAM and this Project Agreement, the provisions of this Project Agreement shall prevail.

2. APG shall cause APDOT to, and APDOT shall and shall cause APPSCIG to ensure that all the Project implementation procedures agreed upon with ADB shall be followed, including environmental and social safeguard requirements. Prior to any disbursement of the Loan proceeds to the Project activities to be carried out by APPSCIG, APDOT shall enter into a Project Implementation Agreement with APPSCIG. The Project Implementation Agreement shall include the requirements and obligations as applicable to APPSCIG provided in the Loan Agreement, this Project Agreement and the PAM.

3. Except as ADB may otherwise agree, APDOT shall ensure that APPSCIG shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement or the Project Implementation Agreement.

#### Financial Covenant

4. Except as ADB may otherwise agree, APG through APDOT shall ensure that, for so long as APPSCIG remains involved in implementation of the Project, APPSCIG shall maintain, in respect of each relevant period, a debt service coverage ratio equal to or greater than 1.2. For purposes of this paragraph:

- (a) the term "Debt Service Coverage Ratio" means the ratio of Net Operating Income to Total Debt Service;
- (b) the term "Net Operating Income" means the aggregate total of net income, interest expense, amortization and depreciation; and
- (c) the term "Total Debt Service" means the aggregate total of principal repayments, interest payments, and lease payments due.

#### Change in Control

5. APDOT shall ensure that in the event that (a) any change in ownership of APPSCIG, or (b) any sale, transfer, or assignment of responsibilities of APPSCIG under the Project is anticipated, APDOT shall, at least 6 months prior to implementation of such plan, consult with ADB and afford ADB an adequate opportunity to comment on such proposal prior to taking action thereon. APDOT shall ensure that such transfer is made in a lawful and transparent manner. APDOT shall ensure that no material organizational changes (financial,

operational or structural) to, nor material asset transfers to or from APPSCIG, shall be formally approved or implemented without the prior approval of APDOT and ADB if such changes would affect APPSCIG's ability to perform its obligations under the Project or the Project Implementation Agreement. The provisions of this paragraph shall cease to apply on and after the time when APPSCIG shall have completed its Project-related obligations and shall have transferred upon the instructions of APG all Project facilities or assets from its balance sheet to the balance sheet of APG or its relevant sub-division(s).

#### Provision of Counterpart Funding

6. APDOT and the Borrowing Counties shall provide counterpart funding for the Project in a timely manner, and shall provide any additional counterpart funding to cover any shortfall of funds or cost overruns. APDOT and the Borrowing Counties shall ensure that adequate funding for operation and maintenance of Project facilities is fully funded from the government budget.

#### Construction Quality

7. APDOT shall, and shall cause the IAs to, ensure that (a) all the Project facilities be designed and constructed or demolished and cleaned up in accordance with the national engineering norm and technical standards of the Borrower, and (b) all construction supervision, quality control, and contract management for the Project shall be carried out in accordance with national standards and international best practices.

#### Sustainable Operation and Maintenance of Project Facilities

8. No later than 30 days after the completion of construction, APDOT shall through the IAs establish an operations and maintenance plan which provides for the operation and maintenance of the Project facilities in accordance with national policies, standards and regulations, provides for future provision of services, and includes a public awareness program.

9. APDOT shall ensure and shall cause the IAs to ensure that dredged material generated in the course of implementation of the Project is tested and disposed of in accordance with national and local laws and regulations, and that such disposal creates no significant risk of secondary pollution.

10. APDOT shall cause the contractors under the Works contracts to select and manage borrow and spoil disposal sites in accordance with the EIA and EMPs and in consultation with the relevant environmental protection authorities.

#### Jiangsu Portion of the Shuiyang River Channel

11. The Borrower and APG confirm their understanding that undertaking the work on upgrading the Jiangsu portion of the Shuiyang River channel is essential to ensure that the full value of the Shuiyang River upgrade is realized.

12. Based on forecasts of projected river traffic following completion of the Project, APG through APDOT has carried out an initial risk assessment analysis that

investigates and considers the implications of (i) the vertical clearance relating to the Xidoumen bridge and the other bridges under construction over the Shuiyang River in Jiangsu Province, and (ii) the estimated average time ship delays based on a 1000 dwt vessel at such bridges when vertical clearances are insufficient during higher river flows. APG shall carry out a further risk assessment analysis following completion of the Project. The post-completion assessment shall identify implications for eventual development of navigation operational management and safety policies concerning the channel which passes through Anhui Province and Jiangsu Province.

13. Throughout the implementation of the Project, APG through APDOT shall remain in close coordination with Jiangsu Province to ensure that the upgrading of the Jiangsu portion of the channel, including the widening and deepening of the channel and the potential reconstruction of Xidoumen and other bridges to provide vertical clearances, is undertaken at an appropriate time to prevent shipping delays along the Shuiyang River, outside the parameters of national law concerning guarantees of navigability for a Class IV channel. Based on current estimates, the commencement of work on upgrading of the Jiangsu portion shall occur within the period of 5 years following completion of the Project.

14. APG through APDOT shall ensure that institutional operating policies and procedures for the Shuiyang River navigation system shall be developed and put into operation within 6 months prior to the completion of the Project.

#### Road Design and Safety

15. APDOT shall through the IAs for any of the Road Sector Outputs ensure that the detailed design of Project roads shall conform to a minimum of 3 or 4 star rating in accordance with the Standards of the iRAP.

16. Prior to the finalization of the detailed road designs, APDOT through the IAs for the Road Sector Outputs shall ensure that independent road safety audits are carried out and the recommendations of these audits are incorporated into such designs and implemented accordingly.

17. Prior to the commencement of use and/or operation of the Project roads, APDOT through the IAs shall ensure that independent road safety audits are carried out and appropriate remedial actions are taken to implement the recommendations of these audits in the operations of such Project roads.

#### Capacity Development Training

18. APDOT shall ensure that participants in the domestic and overseas training programs under the Project are selected on the basis of objective and transparent selection criteria acceptable to ADB.

SafeguardsEnvironment

19. APDOT shall ensure and shall cause the IAs to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower and Anhui Province relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EIA, the EMPs, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) which are subsequently agreed between ADB and APDOT.

Facilities Associated with IWT Output (Output 3)

20. In connection with the IWT Output (Output 3), APDOT shall ensure that removal of the ship yard at Shuiyang town, located in the vicinity of the rubber dam and ship lock comprising part of the IWT Output (Output 3), shall be carried out, maintained and monitored in strict conformity with the SPS and the Borrower's laws, regulations and procedures. Without limiting the foregoing, APDOT shall ensure that necessary permits, including an EIR, are obtained and that following the removal of the shipyard and prior to commencement of construction for the ship lock, a site investigation shall be undertaken to assess the extent of contaminated soils, particularly hydrocarbons, heavy metals and asbestos, followed by appropriate site remediation if needed.

Land Acquisition and Involuntary Resettlement

21. APG shall cause APDOT to, and APDOT shall ensure and shall cause the IAs to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in a manner and within timeframes compliant with the RPs and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower and Anhui Province relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RPs, and any corrective or preventative actions (i) set forth in the Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and the Borrower through APG and APDOT.

22. Without limiting the application of the Involuntary Resettlement Safeguards or the RPs, APDOT shall ensure and shall cause the IAs to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to the displaced persons under the Involuntary Resettlement Safeguards as described in and in accordance with the RPs; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RPs.

Additional Safeguards Undertakings

23. APG through APDOT shall further ensure and shall cause the IAs to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) the RPs are updated upon completion of the detailed design and detailed measurement survey and submitted to ADB for approval prior to commencement of land acquisition and/or house demolition and award of any Works contract;
- (b) such updated RPs are disclosed to the relevant affected peoples in accordance with ADB's disclosure requirements applicable for resettlement-related activities; and
- (c) ADB is promptly advised of any new project activity that has resettlement impacts, and, in the event further land acquisition, resettlement impacts or restrictions are identified, the IA shall submit revised RPs to ADB for approval.

24. APDOT shall ensure that the IAs, with assistance from the PPMO, shall recruit and put into place prior to the commencement of Works under the Project the external environmental supervision agencies and the environmental monitoring agencies, to carry out supervision of environmental requirements and monitoring of environmental requirements under the EMPs, respectively.

25. APDOT shall ensure that the IAs appoint focal persons for resettlement to each Local PMO in order to coordinate and facilitate the resettlement planning process. APDOT shall ensure that the IAs, with assistance from the PPMO, shall recruit external resettlement monitoring agencies and have them in place prior to the commencement of Works under the Project.

26. APDOT shall ensure that each of the Local PMOs and IAs shall include one suitably qualified environmental staff and one suitably qualified resettlement staff to manage the aspects related to supervision and monitoring.

Ethnic Minorities

27. APG shall cause APDOT to, and APDOT shall ensure that the Project shall not have adverse impacts on indigenous peoples and all Outputs shall be implemented in a culturally appropriate manner. If any impact is anticipated, the Borrower, APDOT and the IAs shall ensure that an indigenous peoples plan is prepared and agreed with ADB in accordance with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

28. APG shall cause APDOT to, and APDOT shall and shall cause the IAs to make available necessary budgetary and human resources to fully implement the EIA, EMPs and the RPs, including meeting obligations in excess of resettlement plan budget estimates and provision of staff and resources for resettlement monitoring and supervision.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

29. APG shall cause APDOT to, and APDOT shall ensure and shall cause the IAs to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the EIAs and the EMPs (to the extent they concern impacts on the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and the Borrower through APG and APDOT;
- (b) make available a budget for all such environmental and social measures;
- (c) provide APDOT and ADB with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EIA, the EMPs, or the RPs;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

30. APG shall cause APDOT to and APDOT shall ensure that Works contracts shall provide that contractors are supervised to ensure compliance with requirements of the EIA, EMPs and the RPs, all applicable laws and regulations of the Borrower and Anhui Province, and the Safeguards Policy Statement.

Safeguards Monitoring Reports

31. APG shall cause APDOT to and APDOT shall:

- (a) submit Safeguards Monitoring Reports
  - (i) in respect of implementation of and compliance with Environmental Safeguards and the EMPs, semi-annually during construction and the implementation of the Project and the EMPs until the issuance of ADB's Project completion report unless a longer period is agreed in the EMPs; and

- (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and Indigenous Peoples Safeguards and of the RPs, semi-annually during the implementation of the Project, and the RPs until the issuance of ADB's Project completion report unless a longer period is agreed in the RPs;
 

to ADB and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the EIA, the EMPs, or the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs and the RPs promptly after becoming aware of the breach.

#### Prohibited List of Investments

32. APG shall cause APDOT to and APDOT shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Grievance Redress Mechanism

33. APG shall cause APDOT to and APDOT shall ensure that separate safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the EIA, EMPs and RPs at the Local PMO prior to the commencement of any earthworks, land acquisition or resettlement activities to consider safeguards complaints.

34. APDOT shall further ensure that within 30 days following the Effective Date, a grievance redress mechanism acceptable to ADB is established for non-safeguards complaints in accordance with the PAM. In each case, such grievance redress mechanism shall function to (i) review and document eligible complaints of Project stakeholders; (ii) proactively address grievances; (iii) provide the complainants with notice of the chosen mechanism and/or action; and (iv) prepare and make available to ADB upon request periodic reports to summarize (a) the number of complaints received and resolved, (b) chosen actions, and (c) final outcomes of the grievances and make these reports available to ADB upon request. Eligible non-safeguards complaints include those related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds and other irregularities as well as gender issues.

35. APG shall cause APDOT to and APDOT shall (a) require the PPMO to exercise overall responsibility for implementation of the grievance redress mechanisms and

(b) require the IAs and contractors to report complaints received, handled, resolved and unresolved to the PPMO on a monthly basis. The PPMO shall report on the grievance redress mechanisms in the quarterly progress reports and semi-annual safeguard monitoring reports for ADB.

#### Community Consultation and Participation

36. During Project implementation and for monitoring, an effective consultation and participation process will be pursued through strengthening existing community based development organizations to represent residents of the community in the redevelopment process.

#### Gender and Social Development

37. APG shall cause APDOT to and APDOT shall ensure, and shall cause the IAs to ensure, that: (a) the SDAP is implemented, monitored and reported to ADB annually; (b) bidding documents include provisions as specified in the SDAP; and (c) progress in achieving the SDAP targets are reflected in the Project progress reports and Project completion report. APDOT shall and shall cause the IAs and the Project contractors to: (i) provide equal pay to men and women for work of same type in accordance with national laws and international treaty obligations; (ii) provide safe working conditions for both male and female workers; and (iii) provide at least 40% of non-skilled jobs under the Project to local people.

#### Poverty Reduction

38. APG shall cause APDOT to and APDOT shall ensure, and shall cause the IAs to ensure, that the contractors involved in Project implementation maximize the employment of local poor people who meet the job and efficiency requirements for construction and maintenance of the Project facilities. Such workers shall be provided with adequate on-the-job training. APG shall cause APDOT to and APDOT shall through the IAs monitor the Project impact on poverty in accordance with guidelines set forth in the Project Performance Management System set out in the PAM.

#### Health Risks

39. In coordination with the local health bureaus, APG shall cause APDOT to and APDOT shall, and shall cause each IA to ensure, that: (a) training for construction workers and local communities on HIV/AIDS prevention and control methods is carried out; (b) the Works contractors disseminate information and conduct awareness training on the risks and prevention measures of HIV/AIDS and other communicable diseases to their employees, temporary laborers and family members, and subcontractors during Project implementation; (c) measures to prevent other communicable diseases are implemented, within the construction sites, as specified in the EIAs; and (d) the requirements of subclauses (b) and (c) are included in the Works contracts, monitored and reported quarterly to ADB through APDOT.



Labor Standards

40. APG shall cause APDOT to, and APDOT shall, and shall cause each of the IAs to ensure, that the construction contractors: (a) provide timely payment of wages and safe working conditions to all workers; (b) pay equal wages to the women and male employees for equivalent labor; (c) not employ child labor as required by the relevant laws and regulations of the Borrower; (d) the contractors involved in the Project implementation maximize the employment of local people, particularly women, who meet the job and efficiency requirements for Project construction, operation and maintenance; and (e) such workers are provided with adequate on-the-job training and safety training.

Anticorruption

41. APG shall cause APDOT to and APDOT shall and shall cause the IAs to comply with ADB's Anticorruption Policy (1998, as amended to date). APDOT and each of the IAs agree, and shall ensure that the contractors agree: (a) that ADB reserves the right to investigate any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project; and (b) to cooperate fully with, and to cause contractors to cooperate fully with, any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation.

42. APG shall cause APDOT to and APDOT shall and shall cause the IAs to (a) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements; and (b) ensure that all contracts financed by ADB in connection with the Project include relevant provisions of ADB's Anticorruption Policy in all bidding documents for the Project specifying the right of ADB to audit and examine the records and accounts of all the contractors, suppliers, consultants, and other service providers as they relate to the Project.

43. APG shall cause APDOT to, and APDOT shall, and shall cause the IAs to, undertake the following anticorruption actions: (a) periodically inspect the contractor's activities related to fund withdrawals and settlements; (b) engage the consultants to support the PMO and Local PMOs to ensure good governance, accountability, and transparency in project operation; (c) in consultation with relevant central government ministries update rules and regulations on local and corporate governance and anticorruption; and (d) disclose a summary of the project financial statements and project accounts, and tracking of procurement contract awards on the relevant official websites of APDOT and APPSCIG.

Financial Reporting of APPSCIG

44. APDOT shall and shall cause APPSCIG to establish and maintain sound financial management systems in accordance with ADB's Financial Management and Analysis of Projects, including the establishment of separate project accounts and the maintenance of minimum balances to ensure smooth cash flow and the timely settlement of project construction liabilities.

Insurance

45. APG shall cause APDOT to and APDOT undertakes to and shall cause APPSCIG to undertake to insure, or cause to be insured, the Goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency usable to replace such Goods.