
LOAN NUMBER 3168-PRC

PROJECT AGREEMENT
(Hubei Huanggang Urban Environment Improvement Project)

between

ASIAN DEVELOPMENT BANK

and

HUBEI PROVINCIAL GOVERNMENT
HUANGGANG MUNICIPAL GOVERNMENT

DATED 6 FEBRUARY 2015

PRC 46050

PROJECT AGREEMENT

PROJECT AGREEMENT dated 6 February 2015 between ASIAN DEVELOPMENT BANK ("ADB") of one part, and HUBEI PROVINCIAL GOVERNMENT ("HPG") and HUANGGANG MUNICIPAL GOVERNMENT ("HMG") of the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith between the People's Republic of China ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of one hundred million Dollars (\$100,000,000) 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 HPG to HMG and that HMG and HPG agree to undertake certain obligations towards ADB set forth herein; and

(B) HPG and HMG, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. 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.

ARTICLE II

Particular Covenants

Section 2.01. (a) HPG and HMG shall, and shall cause the Project Implementing Agency to, 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, HPG and HMG shall, and shall cause the Project Implementing Agency to, perform all obligations set forth in the Loan Agreement to the extent that they are applicable to HPG, HMG and the Project Implementing Agency, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. HPG and HMG shall, and shall cause the Project Implementing Agency to, make available, promptly as needed, 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, HMG shall, and shall cause the Project Implementing Agency 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, HMG shall, and shall cause the Project Implementing Agency to, 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. HMG shall, and shall cause the Project Implementing Agency to, carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. HMG shall, and shall cause the Project Implementing Agency 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) HMG shall, and shall cause the Project Implementing Agency to, take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, HMG undertakes, and causes the Project Implementing Agency to undertake, 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. HPG and HMG shall 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, HPG and HMG shall, and shall cause the Project Implementing Agency to, cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) HPG and HMG shall, and shall cause the Project Implementing Agency to, 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, or the accomplishment of the purposes of the Loan.

(c) ADB, HPG and HMG 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, HMG and the Loan.

Section 2.08. (a) HMG shall, and shall cause the Project Implementing Agency to, furnish to ADB all such reports and information 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 HMG and the Project Implementing Agency; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, HMG 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, HMG 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 HPG, HMG and the Project Implementing Agency of their obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) HPG and HMG shall, and shall cause the Project Implementing Agency 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 fund and statement of expenditures) and a Management Letter; and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, 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 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 by posting them on ADB's website.

(c) HPG and HMG shall, and shall cause the Project Implementing Agency to, enable ADB, upon ADB's request, to discuss the financial statements for the Project and financial affairs of HPG, HMG and the Project Implementing Agency where they relate to the Project with the auditors appointed by HPG pursuant to subsection (a)(iii) 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 HPG, HMG and the Project Implementing Agency, unless HPG, HMG and the Project Implementing Agency shall otherwise agree.

Section 2.10. HMG shall, and shall cause the Project Implementing Agency to, enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents related to the Project.

Section 2.11. HPG and HMG shall, and shall cause the Project Implementing Agency to, promptly as required, take all action within its powers to maintain their 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.

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

Section 2.13. Except as ADB may otherwise agree, HMG shall, and shall cause the Project Implementing Agency to, 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.

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 HPG and HMG 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) 636-2534.

For HPG

Hubei Provincial Government
No.8 Zhong Bei Road
Wuhan, Hubei Province, People's Republic of China

Facsimile Number:

(86)27-67818629.

For HMG

Huanggang Municipal Government
No.8 Qiyi Road, Huangzhou District
Huanggang City
Hubei Province, People's Republic of China

Facsimile Number:

(86) 713-8618851.

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 (i) by or on behalf of HPG may be taken or executed by its Governor, (ii) by or on behalf of HMG

may be taken or executed by its Mayor, or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) HPG and HMG shall 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

HUBEI PROVINCIAL GOVERNMENT

By 
SUN XIANGYANG
Authorized Representative

HUANGGANG MUNICIPAL GOVERNMENT

By 
SUN XIANGYANG
Authorized Representative

SCHEDULE

Execution of Project; Environmental, Social, Financial and Other Matters

General Implementation Arrangements

1. HPG and HMG shall 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 HPG, HMG and ADB. In the event of any discrepancy between the PAM and this Project Agreement, the provisions of this Project Agreement shall prevail.

Environmental

2. HMG shall 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 relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EIA, the EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) which are reasonably requested by ADB to ensure safeguards policy compliance.

3. HMG shall 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.

4. HMG shall, or shall cause the Project Implementing Agency to ensure that the seven stipulations of the Planning Environmental Impact Report approval document HEPD [2013] 547, issued by Hubei Province Environment Protection Department on 4 December 2013, will be implemented.

5. HMG shall ensure that the design and construction of the storm water pipes in the New Eastern District shall be optimized to improve protection against water logging incidents, accounting for results of hydrological modeling and climate change projections.

6. HMG shall (a) contract qualified ornithologist(s) to conduct bird surveys along the perimeters of Baitan Lake and Chiye Lake to record the number of wintering water bird species and individuals, and distribution in the Baitan Lake and Chiye Lake areas during construction and operation; (b) ensure that construction activities are conducted only between 9:00am and 4:00pm from each November to the following March to prevent disturbance of water birds' dawn and dusk feeding hours during their wintering period; and (c) ensure that no regular maintenance of surface-flow and subsurface-flow constructed wetlands in Baitan Lake and Chiye Lake is conducted during the water bird winter migrating period from 1 November to 31 March each year during the Project implementation.

7. HMG shall ensure that: (a) technical design of the surface-flow and subsurface-flow constructed wetlands complies with Technical Specification of Constructed Wetlands for Wastewater Treatment Engineering (HJ 2005-2010); and (b) planting of wetland

and other aquatic species must use non-invasive species of local provenance. Under no circumstance shall exotic or invading species be used.

8. HMG shall ensure that: (a) prior to lake dredging activities, potentially affected people and communities are involved and informed on these activities' risks and impacts through information disclosure; (b) dredging is conducted so that the re-suspension of sediments, the release of contaminants to the water column and air, and their transport, are reduced or controlled; (c) during dredging operations, performance standards are adopted based on which control or mitigation measures are applied; and (d) disposal of treated sediments either for beneficial use or to a sanitary landfill is decided on the basis of results of the laboratory tests on the treated sediments.

9. HMG shall, and shall cause the Project Implementing Agency to ensure that throughout the Project implementation (a) environment due diligence is conducted for any proposed change to the Project design, including to any linked and/or associated facilities, that may potentially cause negative environmental impacts; (b) in consultation with ADB, environmental monitoring and mitigation measures are revised as necessary to assure full environmental compliance; and (c) it provides ADB within 60 days from the date of any emergency action, justification for any proposed changes to the mitigation measures required during design, construction and operation for safety or emergency reasons.

Resettlement

10. HMG shall 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 RP and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions (i) set forth in any Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and HMG.

11. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the HMG shall ensure or cause the Project Executing Agency 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 RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

12. HMG shall ensure that the Project does not have any indigenous peoples impacts, all within the meaning of ADB's Safeguard Policy Statement. In the event that the Project does have any such impact, HMG shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

13. HMG shall make available necessary budgetary and human resources to fully implement the EMP and the RP. In particular, HMG shall ensure or cause the Project Implementing Agency to ensure that (a) an adequate number of full-time personnel and sufficient resources are provided to coordinate the implementation of the environmental monitoring program; (b) the loan implementation environment consultant is engaged in a timely manner; (c) a licensed environmental monitoring entity is contracted to conduct environmental impact monitoring in accordance with the approved EMP; and (d) the capacity-building program described in the EMP is implemented.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

14. HMG shall, and shall cause the Project Implementing Agency 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 EIA, the EMP and the RP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and HMG;
- (b) make available a budget for all such environmental and social measures;
- (c) provide HMG 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 EMP and the RP;
- (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 as early as possible but no later than the completion of construction.

Safeguards Monitoring and Reporting

15. HMG shall:

- (a) submit Safeguards Monitoring Reports to ADB
 - (i) in respect of implementation of and compliance with Environmental Safeguards and the EMP, semi-annually during construction and the implementation of the Project and the

EMP, and thereafter annually during operation, until the issuance of ADB's Project completion report unless a longer period is agreed in the EMP; and

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

and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards and the Involuntary Resettlement 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 EMP and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than 6 months after the Effective Date, engage qualified and experienced external experts or qualified institutions under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts; and
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

16. HMG 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.

Construction Contracts

17. HMG shall ensure that works contracts will include provisions to require the contractors to (a) employ women and the local poor to at least the percentages of the labor force as set out in the SAP and GAP; (b) not to discriminate against people seeking work on the basis of age, provided they are capable of doing the work; (c) provide equal pay for equal work, regardless of gender; (d) advertise labor requirements in a timely manner prior to recruitment, in venues and languages that can reasonably be expected to be seen by interested men and women, regardless of age; (e) provide those they employ with a written contract; (f) provide the timely payment of wages; (g) use local unskilled labor, as applicable, (h) comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment, e.g. health, safety, welfare and the workers' rights, and anti-trafficking laws; (i) not force the labor to work against their will; and (j) not employ child

labor. HMG shall further cause the Project Implementing Agency and contractors to maintain records of labor employment, including the name, age, gender, domicile, working time, and the payment of wages and ensure that the records are included in summary form in the PPMS. HMG shall ensure that the requirements of this paragraph are clearly specified in all relevant bidding documents.

18. HMG shall, or cause the Project Implementing Agency to ensure that the contractors (a) implement HIV/AIDS and STIs awareness and prevention training for all employees; (b) provide necessary measures to ensure the safety and health of their employees; (c) together with the local centers of disease control, disseminate information on the risks, hazards, impacts and prevention know-how on HIV/AIDS and STIs among the staff, workers on the construction sites and the local community by means of information disclosure, education and consultation; (d) take due care to ensure that solid and liquid wastes are appropriately disposed of in and around construction sites, or sites where the company might house employees; (e) in conjunction with the relevant local government and community leaders, hold a public meeting in each area prior to commencing construction to discuss issues associated with ensuring the safety of children in the vicinity of the construction site; and (f) observe local customs concerning acceptable behavior toward the local population.

Gender and Social Action Plans

19. HMG shall (a) resource and implement the GAP including taking all reasonable and necessary steps to encourage women living in Project areas to participate in the planning and implementation of the Project; and (b) monitor GAP implementation progress which will be reported in progress reports.

20. HMG shall resource, implement and monitor in a timely manner the SAP including (a) the campaign to promote awareness and behavioral change to realize the benefits of improved personal hygiene and responsible waste disposal; (b) the campaign on the prevention of HIV/AIDS and STIs; and (c) provide adequate staffing to supervise and document these activities, and report them in the PPMS.

Public Awareness

21. HMG shall undertake public awareness campaigns on the Project and its benefits, including but not limited to information related to the RP, EIA, EMP, GAP and SAP, to be conducted through information disclosure, education and consultation in languages and presentation formats relevant to the location and literacy levels of the local populations, including easily understandable visuals. Public awareness campaigns shall also be budgeted and organized to inform and educate residents about HIV/AIDS and STIs; environmental sanitation, health, and hygiene; and road safety.

Associated Facilities

22. HMG shall ensure that unless otherwise agreed between HMG and ADB, facilities associated and/or linked to the Project, including the Nanhu Wastewater Treatment Plant and sewage network expansion and the construction of the Hongqi and the Nanhu pumping stations, will be completed and operational before the physical completion of the Project.

Grievance Redress Mechanism

23. HMG shall further ensure that within 60 days after the Effective Date, a grievance redress mechanism acceptable to ADB is established for non-safeguards complaints. In each case, such mechanism shall function to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism and/or action; and (d) prepare and make available to ADB upon request periodic reports to summarize (i) the number of complaints received and resolved, (ii) chosen actions, and (iii) 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.

24. HMG shall ensure that a safeguards grievance redress mechanisms acceptable to ADB is established in accordance with the provisions of the EIA, EMP and RP at the PMO, within the timeframes specified in the relevant EIA, EMP and RP, to consider safeguards complaints.

Change in Ownership/Control

25. HPG and HMG shall ensure that during the Project implementation, in the event of (a) any change in the ownership or control of Project facilities; or (b) any sale, transfer or assignment of share or interest that results in a change of control in any agency owning or managing any Project facilities being anticipated, HMG shall cause the relevant agency to consult with ADB at least 6 months prior to the implementation of such change. HMG shall cause the said agency to further ensure that the new controlling management of the concerned agency complies with (a) all Project related agreements executed between ADB and the Borrower or HMG; and (b) the policies of ADB relevant to the Project.

Counterpart Funding

26. HMG shall provide counterpart funding in a timely manner, including any additional counterpart funding required for any shortfall of funds or cost overruns.

Financial Management

27. HMG shall 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 and future debt servicing. Project funds, including ADB loan and counterpart funds, shall be disbursed in accordance with the arrangement set out in the PAM.

28. HMG shall, and shall cause the Project Implementing Agency to, establish financial control and management arrangements compatible with ADB's Financial Management and Analysis of Projects and ADB's Loan Disbursement Handbook.

Engineering and Technical

29. HMG shall ensure that the physical structures to be constructed under the Project are consistent with the current development master plans and other relevant plans of Huanggang.

Design and Construction Quality and Management

30. Prior to the commencement of the procurement for activities under the Project, HMG shall cause the Project Implementing Agency to complete relevant geological (including seismic) and geotechnical investigations during the preparation of the detailed designs, and ensure that adequate risk mitigation is fully incorporated in the designs, in compliance with all relevant national, regional and local design codes and standards.

31. HMG shall ensure that all Works under the Project are designed and constructed in accordance with national standards and specifications and that the construction supervision, quality control, contract management, and completion inspection and acceptance follow all applicable national laws and regional and local regulations. HMG shall further ensure, and cause the Project Implementing Agency to ensure, that (a) all Works under the Project are designed by Class A design institutes and that sufficient funds are made available for the employment of such institutes; (b) all Works under the Project are constructed in accordance with the Borrower's national standards and specifications, and (c) construction supervision, quality control, contract management, and completion inspection and acceptance procedures are in accordance with all applicable national, municipal and local regulations of the Borrower.

Operation and Maintenance

32. HMG shall ensure that all Works will be inspected, operated and maintained in accordance with prescribed standards, specifications and regulations and sound practices.

33. HMG shall ensure that (a) each agency responsible for operating and/or maintaining Project facilities prepares (i) a sustainable O&M plan; and (ii) a budget plan on an annual basis for O&M; and (b) they provide sufficient financial and staffing resources to the relevant O&M agencies.

34. HMG shall, or cause the Project Implementing Agency to, ensure that all assigned O&M agencies shall be fully involved in the Project implementation, including professional staff from O&M agencies participating in Project design, the bidding, and implementation of contracts, and the acceptance of the completed Works.

35. HMG shall ensure that, prior to commissioning of newly rehabilitated lakes and river channels constructed under the Project, all upstream facilities are operated and maintained together with the project facilities under an integrated O&M plan.

Governance and Anticorruption

36. HPG and HMG (a) acknowledge ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (b) agree to cooperate, and shall cause the Project Implementing Agency and all

other government offices, organizations and entities involved in implementing the Project 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. In particular, HPG and HMG shall ensure that (a) periodic inspections of the Project contractors' activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (c) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of HPG, HMG, the Project Implementing Agency, PMO, contractors, suppliers, consultants, and other service providers as they relate to the Project.

37. HMG shall undertake the following anticorruption actions: (a) involving full-time officials from the relevant investigation office in the bidding, award and implementation of contracts; (b) introducing a dual-signing system, in which the contract winner signs an anticorruption contract with the employer when they sign and execute the contract; and (c) periodically inspecting the contractors' fund withdrawals and settlements.

38. In furtherance of the principles of transparency, participation, accountability and zero-tolerance for corruption, HMG shall develop and maintain relevant websites that describe the Project in order to provide the public with information on the Project and project progress including setting out (a) a summary of the audited financial statements of the Project, (b) the procurement plan and tracking of procurement contract awards, (c) any proposed tariff increases and associated scheduled public hearings, (d) relevant laws and regulations; (e) job opportunities and (f) information related to pro-poor subsidies or tariff life-lines. HMG shall also periodically make such information available on radio and in newspapers.

Project Progress Reporting

39. During Project implementation, HMG shall develop, in consultation with ADB, a PPMS including baseline performance monitoring, systematic Project performance monitoring, and benefits monitoring and evaluation of each sub-component. HMG shall cause the Project Implementing Agency to carry out surveys (a) at the start of Project implementation to establish baseline data; and (b) not later than 6 months after Project completion, to evaluate the Project benefits. Data to be compiled and analyzed for the purpose of performance monitoring and evaluation shall be in a format compatible with the PPMS as developed in consultation with ADB.

40. HMG shall cause the Project Implementing Agency to supply monitoring reports to the PMO of the implementation activities under the Project, and a quarterly report of the implementation of project activities relevant to the Project Implementing Agency under the Project to the PMO. HMG shall cause the PMO to conduct periodic and random monitoring of each Project output under the Project to determine the degree to which Project funds have been effectively and efficiently used to implement the Project, achieve its objectives, outcomes, and its performance indicators.

41. HMG shall (a) cause the Huanggang environment protection bureau to develop and operate a hydraulic and water quality model, as agreed with ADB, for the Baitan and Chiye Lakes, and (b) ensure that its water resources bureau shares monitoring information on water quantity in the project lakes with the Huanggang environment protection bureau.