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LOAN NUMBER 3263-PRC

PROJECT AGREEMENT

(Xinjiang Tacheng Border Cities and Counties Development Project)

between

ASIAN DEVELOPMENT BANK

and

XINJIANG UYGUR AUTONOMOUS REGION GOVERNMENT

DATED 3 NOVEMBER 2015

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PRC 46063

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 3 November 2015 between ASIAN DEVELOPMENT BANK ("ADB"), of the one part, and XINJIANG UYGUR AUTONOMOUS REGION GOVERNMENT ("XUARG") 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 one hundred fifty million Dollars (\$150,000,000) 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 to XUARG, and that XUARG agrees to undertake and to cause the IAs, to perform, certain obligations towards ADB set forth herein; and

(B) XUARG, in consideration of ADB entering into the Loan Agreement with the Borrower, have 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) XUARG shall and shall cause the IAs and PIUs, 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, XUARG shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to XUARG, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. XUARG shall 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, XUARG shall, and shall cause the IAs and PIUs 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, XUARG shall and shall cause the IAs and PIUs 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. XUARG shall and shall cause the IAs and PIUs to carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. XUARG 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) XUARG shall cause the IAs and PIUs, 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, XUARG shall cause the IAs and PIUs 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. XUARG shall cause the IAs and PIUs, 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 and XUARG shall, and XUARG shall cause the IAs and PIUs to, cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) XUARG shall and shall cause the IAs and PIUs to promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the accomplishment of the purposes of the Loan.

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

Section 2.08. (a) XUARG shall and shall cause the IAs and PIUs 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 XUARG, the IAs and the PIUs concerning the Project; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, XUARG shall and shall cause the IAs and PIUs to 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 6 months thereafter or such later date as ADB may agree for this purpose, XUARG shall and shall cause the IAs to 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 XUARG and the IAs of their obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) XUARG shall and shall cause the IAs and PIUs 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(s) 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 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) XUARG shall and shall cause the IAs and PIUs to enable ADB, upon ADB's request, to discuss the financial statements for the Project and its financial affairs where they relate to the Project with the auditors appointed 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 XUARG, unless XUARG shall otherwise agree.

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

Section 2.11. (a) XUARG shall and shall cause the IAs and PIUs to, promptly as required, take all action within their respective powers to maintain their respective corporate existence, to carry on their 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 their operations.

(b) XUARG shall and shall cause the IAs and PIUs to at all times conduct their respective 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) XUARG shall and shall cause the IAs and PIUs to at all times operate and maintain the plant, equipment and other property related to the Project, 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, XUARG shall not and shall cause the IAs and PIUs not to sell, lease or otherwise dispose of any 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 obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, XUARG shall and shall cause the IAs and PIUs 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 XUARG of such date.

Section 3.02. (a) 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 XUARG

Xinjiang Uygur Autonomous Region Housing and Urban-Rural  
Development Bureau  
462 Zhongshan Road, Urumqi, Xinjiang  
People's Republic of China

Facsimile Number:

86 991 284 1298.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project by or on behalf of XUARG may be taken or executed by its Governor, or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) XUARG 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

XINJIANG UYGUR AUTONOMOUS  
REGION GOVERNMENT

By   
ZHAO JIANLI  
Authorized Representative

## SCHEDULE

### Execution of Project; Financial Matters

#### Implementation

1. XUARG shall establish a PMO to provide technical assistance to the Implementing Agencies in implementing the Project in accordance with the PAM. XUARG shall establish a PMO, and cause it, together with each Implementing Agency and PIU, and, if required under the PAM, their respective PMOs, to implement the Project 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 XUARG and ADB. In the event of any discrepancy between the PAM and this Project Agreement, the provisions of this Project Agreement shall prevail.
2. XUARG shall ensure that throughout Project implementation, each PMO is fully equipped with professionally skilled staff including director, deputy director, finance and accounting officer, resettlement and environment safeguards officers, procurement officers and technical staff, reasonable office space, equipment, and adequate financial resources required for the timely and smooth implementation of the Project.

#### District Heating: Power Plant

3. XUARG shall ensure that construction commences on the combined heat and power plant 2x350 MW, located in Tacheng City by 31 December 2015 and will endeavor to ensure that construction is completed and normal operations have commenced at the plant by 2019.

#### Traffic

4. XUARG shall, and shall cause each Implementing Agency to, ensure that in accordance with the project feasibility study, (a) weather-protected public bus stations along project roads in Tacheng City, Emin County and Yumin County are constructed; and (b) pedestrian, bicycle and non-motorized traffic facilities are properly designed and constructed.
5. XUARG shall, and shall cause each Implementing Agency to, ensure that all relevant agencies cooperate to promote traffic safety provisions for the road components of the Project, including by providing adequate traffic safety signage, signal lamps, traffic control facilities and other necessary facilities.
6. XUARG shall, and shall cause each Implementing Agency to, ensure that traffic safety education activities are conducted in the languages appropriate to the local population to enhance the traffic safety awareness of the local people.
7. XUARG shall, and shall cause each Implementing Agency to, ensure that periodic examinations of emissions of vehicle exhaust pollutants for each vehicle registered or operating in the respective Implementing Agency's jurisdiction are conducted in accordance with all applicable PRC and provincial, municipal and local laws, regulations and standards, and that vehicles whose emissions exceed regulatory limits are not registered and not otherwise permitted to operate within the Implementing Agencies' respective jurisdictions.



River rehabilitation

8. XUARG shall cause Tacheng City Municipal Government and Tacheng Water Resources Bureau to ensure (i) that no artificial water impoundments are constructed along the approximately 15-km section of the Kalanggur River that is supported by the Project, such as weirs, rubber dams or other forms of artificial water impoundment (ii) that the flood monitoring, early warning and response system for Tacheng City is reviewed and strengthened to standards acceptable to ADB prior to issuance of ADB's Project completion report; and (iii) that the operating procedures of the Kalanggur Reservoir are reviewed and adjusted as necessary to ensure that the Kalanggur River receives a minimum flow at all times in accordance with the reservoir operating rule on minimum flow as set forth in the environment impact assessment approved for the Kalanggur Reservoir in 2002.

Irrigation water

9. XUARG shall cause Tacheng City Municipal Government and Tacheng Water Resources Bureau to ensure that (i) no alien and/or invasive species are introduced for forestation and landscaping works along the Kalanggur River; (ii) actual water use for irrigation of the Kalanggur embankment works is monitored and reported in the Project's annual environmental monitoring reports to ADB and in the Project completion report.

Border trade enhancement and regional cooperation

10. XUARG shall cause the Implementing Agencies to, enhance border trade and support regional cooperation through the promotion of initiatives for trade facilitation and economic corridor development in the project cities and the Baktu Land Port.

Operations and Maintenance; Linked facilities

11. XUARG shall, and shall cause the Implementing Agencies to, ensure that all facilities linked with the Project facilities are operated, maintained and monitored in strict conformity with all applicable PRC and provincial, municipal and local laws, regulations and standards including (i) the combined heat and power plant in Tacheng City; (ii) water treatment plants in Tacheng City and Emin County; (iii) wastewater treatment plants in Tacheng City and Emin County; (iv) the sanitary landfill in Tacheng City; and (v) the Kalanggur Reservoir in Tacheng City. Further, XUARG shall ensure that households residing within the Project area are interconnected with the said Project facilities.

12. XUARG shall, and shall cause each Implementing Agency and PIU to, ensure that all works under the Project shall be inspected, operated and maintained in accordance with all standards, specifications and regulations of the PRC and applying sound practices.

13. XUARG shall, and shall cause each Implementing Agency and PIU to, ensure that each agency responsible for operating and/or maintaining any Project facilities (a) prepares (i) a sustainable Operations and Maintenance (O&M) plan; and (ii) an annual O&M budget for such Project facilities; and (b) provides sufficient financial and staffing resources to implement the O&M plan.

Construction

14. XUARG shall, and shall cause each Implementing Agency and PIU to, ensure that (a) borrow and spoil as well as construction waste generated in Project construction activities is properly disposed of in disposal sites selected and managed in accordance with the EMP and in consultation with relevant environmental protection authorities and in conformity with all applicable PRC and provincial, municipal and local laws, regulations and standards; (b) all Project construction activities avoid interruptions or damage to water supply, wastewater collection, heating and other utility services.

Pre-construction readiness

15. XUARG shall ensure that the PMO implements the following measures prior to commencing construction to ensure the Project's environment management readiness: (i) appoint a qualified environment officer within the PMO, (ii) recruit at least one loan implementation environment consultant as part of the loan administration consultant services, (iii) ensure that all Implementing Agencies and PIUs have contractual agreements with county environment monitoring stations (EMS) to conduct the environmental impact monitoring described in the EMP and that all EMS are qualified centers which are part of county-level or higher environmental protection bureaus; and (iv) ensure that the EMS provide their monitoring results to the PMO as well as to the Implementing Agencies and PIUs not less than annually.

16. Before and during any Project construction, XUARG shall ensure that the XUARG PMO organizes and conducts training on implementation and supervision of the project EMP for appropriate officers of the relevant Implementing Agency or PIU and all of its Project contractors.

Environment

17. XUARG shall ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the PRC relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE and the EMP, and with any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report prepared pursuant to the SPS or (ii) which are subsequently agreed between ADB and XUARG.

Noise monitoring and mitigation

18. XUARG shall cause the Implementing Agencies to ensure that (i) noise mitigation measures along Project roads are implemented as provided in the EMP and applicable PRC environmental protection regulations; (ii) regular noise monitoring is undertaken at the locations and frequencies indicated in the EMP; and (iii) additional noise mitigation measures are implemented, as needed, to meet the higher of the EMP standard or the PRC regulatory standard.

Land Acquisition and Involuntary Resettlement

19. XUARG shall ensure that all land and all rights-of-way required for the Project are made available to works contractors in a manner and within timeframes compliant with the RPs and that all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the PRC 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) in a Safeguards Monitoring Report, or (ii) which are subsequently agreed between ADB and XUARG.

20. Without limiting the Involuntary Resettlement Safeguards or the RPs, XUARG shall ensure that no physical or economic displacement takes place in connection with any component of the Project until: (a) compensation and other entitlements have been provided to the displaced persons as required under the Involuntary Resettlement Safeguards as described in and in accordance with the applicable RP; and (b) a comprehensive income and livelihood restoration program has been established in accordance with the applicable RP.

21. XUARG shall not, and shall ensure that each Implementing Agency and PIU does not, award any works contract that involves involuntary resettlement impacts until TPG has prepared and XUARG has submitted to ADB the final RP applicable to the relevant Project component based on such component's detailed design and obtained ADB's clearance of such RP.

Ethnic Minorities

22. XUARG shall, and shall cause each Implementing Agency and PIU to, ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the PRC relating to ethnic minorities; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the EMDP and any corrective or preventive actions (i) set forth in a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and XUARG.

Human and Financial Resources to Implement Safeguards and Social Requirements

23. XUARG shall make available and shall cause each Implementing Agency and PIU to make available all necessary budgetary and human resources to fully implement the EMP, the RPs, the EMDP, the GAP, the SDAP and any other measures required under the SPS.

Conditions for Award of Works Contracts

24. XUARG shall not, and shall ensure that the Implementing Agencies and PIUs do not, award any works contract which involves environmental impacts or involuntary resettlement impacts until TPG or the relevant Implementing Agency or PIU has incorporated the relevant provisions from the EMP and the RP, if any, into the works contract.

25. XUARG shall not, and shall ensure that the Implementing Agencies and PIUs do not, award any works contract which involves adverse impacts on ethnic minorities unless and until TPG has prepared and XUARG has submitted to ADB an ethnic minorities plan in compliance with the SPS and obtained ADB's clearance of such plan.

26. XUARG shall ensure, and cause the Implementing Agencies and PIUs to ensure, that the bidding documents for Works contracts and the Works contracts include provisions to require the contractors to (a) prioritize employment of local people especially women, the poor and ethnic minorities and give priority to women in the employment and training opportunities generated in the Project's construction and operation phases; (b) provide equal pay for equal work; (c) provide the timely payment of wages; (d) maximize the use of local unskilled labor, as applicable; (e) comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment; and (f) not employ child labor. XUARG shall ensure, and cause the Implementing Agencies and PIUs to ensure, that the Works contractors will (a) implement an HIV/AIDS awareness and prevention training for all employees in collaboration with the relevant centers for disease control; (b) provide necessary measures to ensure the safety and health of their employees; (c) together with the local health bureaus, disseminate information on risks, hazards, impacts and prevention know-how on HIV/AIDS among their staff and workers on the construction sites and the local community through information disclosure, education and consultation; (d) observe local customs concerning acceptable behavior toward the local population and (e) implement human trafficking awareness activities.

#### Safeguards–Related Provisions in Bidding Documents and Works Contracts

27. XUARG shall 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 IEE, the EMP, the RP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards, Involuntary Resettlement Safeguards and Indigenous Peoples Safeguards during construction), and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report; or (ii) which are subsequently agreed between ADB and XUARG;
- (b) make available a budget for all such measures; and
- (c) provide XUARG with a written notice of any unanticipated environmental, resettlement or ethnic minorities risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the relevant RP or the EMDP.

#### Safeguards Monitoring and Reporting

28. XUARG shall do or cause the IAs to do the following:

- (a) In respect of implementation and compliance with Environmental Safeguards and the EMP, submit Safeguards Monitoring Reports to ADB semiannually during construction and the implementation of the

Project and the EMP, until the issuance of ADB's Project completion report unless a longer period is agreed in the EMP, and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards, promptly upon submission;

- (b) In respect of implementation and compliance with Involuntary Resettlement Safeguards and the RPs, submit Safeguards Monitoring Reports to ADB semi-annually during construction and the implementation of the Project and the RPs until the issuance of ADB's Project completion report unless a longer period is agreed in an RP, and disclose relevant information from such reports to the respective affected people under the Involuntary Resettlement Safeguards promptly upon submission;
- (c) In respect of implementation and compliance with Indigenous Peoples Safeguards and the EMDP, submit Safeguards Monitoring Reports to ADB semi-annually during construction and the implementation of the Project until the issuance of ADB's Project completion report unless a longer period is agreed, and disclose relevant information from such reports to the respective affected people under the Indigenous Peoples Safeguards promptly upon submission;
- (d) if any unanticipated environmental, resettlement, ethnic minority and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the relevant RP, and the EMDP promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (e) Report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, the RPs and the EMDP promptly after becoming aware of the breach.

#### Safeguard - Grievance Redress Mechanism

29. XUARG shall ensure that a joint safeguards grievance redress mechanism acceptable to ADB is established in accordance with the provisions of the IEE, the EMP, the RPs and the EMDP at the TPG PMO and at the PMOs established by the Implementing Agency, within the timeframes specified in the IEE, EMP, RPs and EMDP, to consider safeguards complaints.

30. The grievance redress mechanism referred to in paragraph 28 above 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.

Counterpart Funds

31. XUARG shall or shall cause the Implementing Agencies to ensure that counterpart funds for the Project, including any additional counterpart funds, are provided in a timely manner, including, as and when needed, to meet any Project shortfall or cost overruns. XUARG shall cause the Implementing Agencies to provide funds and resources necessary for the operation and maintenance of the Project facilities in a timely manner.

Financial Management

32. XUARG shall, and shall cause the Implementing Agencies 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 and future debt servicing. Project funds, including the Loan proceeds and counterpart funds, will be disbursed from the imprest account established under the Xinjiang Uygur Autonomous Region Finance Department to contractors, Consultants, suppliers and affected persons.

33. XUARG shall cause the Implementing Agencies to (i) increase water supply tariffs progressively to achieve full cost recovery and in accordance with national tariff policies and regulations; and (ii) undertake an annual review of tariffs and fees including an assessment of their impact on the poor, and (c) based on such review, take necessary measures to ensure service delivery to the poor.

34. During the process of establishing and adjusting water tariffs, XUARG shall cause the Implementing Agencies to take into consideration (i) the minimum tariff level to cover basic operating costs, debt service and capital replacement; (ii) users' affordability and willingness to pay data from available surveys; and (iii) recent tariff escalations. XUARG shall further cause the IAs to carry out public consultation during their tariff setting processes.

Social and Gender Action Plans

35. XUARG shall ensure: (a) that the GAP is fully implemented in a timely manner over the entire period of the Project; (b) that adequate resources are allocated for this purpose; and (c) that the Implementing Agencies provide semi-annual reports on GAP implementation to ADB.

36. XUARG shall ensure: (a) that the SDAP is fully implemented in a timely manner over the entire period of the Project; (b) that adequate resources are allocated for this purpose; and (c) the Implementing Agencies provide semi-annual reports on SDAP implementation to ADB.

Governance and Anticorruption

37. XUARG shall and shall cause the Implementing Agencies and PIUs to: (a) comply with ADB's Anticorruption Policy (1998, as amended to date); (b) acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (c) cooperate with any

such investigation and extend all necessary assistance for satisfactory completion of such investigation.

38. XUARG shall and shall cause the Implementing Agencies and PIUs to ensure that anticorruption provisions acceptable to ADB are included in all bidding documents and contracts related to the Project, including provisions specifying the right of ADB to audit and examine the records and accounts of XUARG, the Implementing Agencies, the PIUs and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

#### Prohibited List of Investments

39. XUARG shall ensure that no proceeds of ADB's loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Public Awareness

40. XUARG shall cause the Implementing Agencies to undertake public awareness campaigns on the Project and its benefits, including but not limited to information related to the EMP, the RPs, the EMDP, GAP and SDAP, to be conducted through information disclosure, education and consultation, in both the local language and Mandarin.

#### Change in Ownership

41. XUARG shall and shall cause the Implementing Agencies to ensure that during 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 is anticipated, they will cause the relevant agency to consult with ADB at least 6 months prior to the implementation of such change. XUARG, through the Implementing Agencies, 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 and XUARG; and (b) the policies of ADB relevant to the Project.