
LOAN NUMBER 3312-PRC

PROJECT AGREEMENT

(Gansu Featured Agriculture and Financial Services System Project)

between

ASIAN DEVELOPMENT BANK

and

GANSU PROVINCIAL GOVERNMENT

DATED 8 DECEMBER 2015

PRC 47046

PROJECT AGREEMENT

PROJECT AGREEMENT dated 8 December 2015 between ASIAN DEVELOPMENT BANK ("ADB") and GANSU PROVINCIAL GOVERNMENT ("GPG").

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 million Dollar (\$100,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the loan proceeds be made available to GPG and that GPG onlend a portion of the proceeds of the loan to the FIs identified in the Loan Agreement and that GPG undertakes certain obligations to ADB and agrees to cause the FI's to undertake certain obligations in connection with the Project as set forth herein; and

(B) GPG, 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

Subloans

Section 2.01. (a) GPG shall, through GPG Department of Finance (DOF), enter into Relending Agreements with each FI prior to requesting any withdrawal under the Loan Agreement for onlending to that FI. GPG shall cause DOF and the PMOs to represent GPG to implement the Relending Agreements. Under the Relending Agreements, GPG shall onlend \$82,196,000 of the proceeds of ADB's Loan to the FIs.

(b) Except as ADB may otherwise agree, the proceeds of ADB's Loan shall be used only for (i) as to \$82,196,000 of the ADB Loan, making loans to FIs and, through the FIs, for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively to the cost of Goods, Works and Consulting Services and other items of expenditure required to carry out such Qualified Subprojects and (ii) as to the remaining \$17,804,000 of the ADB Loan, providing capacity development and support for PMOs, and

households, businesses and institutions involved in agriculture or agriculture-related businesses in the Project Counties.

(c) Except as ADB may otherwise agree, GPG shall procure all Goods and Consulting Services in accordance with the provisions of Schedule 3 to the Loan Agreement.

Section 2.02. (a) Whenever an FI proposes to make a Subloan in an amount exceeding the Renminbi equivalent of \$100,000 to an individual or household or \$1,000,000 to any other subborrower (or such other sums as shall from time to time be agreed between ADB and GPG), GPG shall ensure that the FI, before requesting a withdrawal under the Relending Agreement for such Subloan, or before committing to make such Subloan in the case of Recycled Funds proposed to be re-loaned prior to the Loan Closing Date, submits to ADB an application for approval of such Subloan. Such application shall be in a form satisfactory to ADB and shall contain a description and appraisal of the Qualified Subproject, the terms and conditions of the proposed Subloan and such other information as ADB shall reasonably request. A Subloan shall be deemed to exceed the equivalent of the amount specified in or agreed pursuant to this subsection if the amount of such Subloan, when added to the amount of any other Subloan or Subloans then authorized or outstanding for the same Qualified Subproject or Qualified Subborrower, exceeds the equivalent of the amount so specified or agreed.

(b) Before any FI makes its first Subloan in a Project County GPG shall ensure that the FI, before requesting a withdrawal under the Relending Agreement for such Subloan, submits to ADB, through the PMO, an application for approval of such Subloan. Such application shall be in a form satisfactory to ADB and shall contain a description and appraisal of the Qualified Subproject, the terms and conditions of the proposed Subloan the proposed Subloan Agreement and Ancillary Commitment Letter and such other documents information as ADB shall reasonably request.

(c) GPG shall not make or permit any withdrawal in respect of a Subloan falling within the provisions of subsection (a) or (b) unless ADB shall have authorized withdrawals from the Loan Account for such Subloan.

Section 2.03. Notwithstanding any other provision of this Project Agreement, except for the initial withdrawal into the imprest account, no withdrawals shall be made from the Loan Account for onlending to an FI for a Subloan prior to receipt by ADB of a statement of expenditure form for financial intermediary loans showing the amount committed to be loaned under each Subloan Agreement that the FI has entered into, the name of the Qualified Subborrower and the Qualified Subproject, and identification of the Qualified Subproject output (as specified in the PAM) for the Subloan.

Section 2.04. (a) Each loan from GPG to an FI shall carry interest and fees at the rate applicable to the ADB Loans under the Loan Agreements and shall be made on terms whereby GPG shall obtain, by a Relending Agreement, rights adequate to protect the interests of the Borrower, GPG, and ADB.

(b) GPG shall ensure that each Subloan made with the proceeds of the ADB Loan or with any Recycled Funds shall carry interest at a rate determined as provided in paragraph 33(a) of the Schedule hereto and that the FIs shall obtain, by a written agreement with the Qualified Subborrower, using the template accepted by ADB, rights adequate to protect the interests of the Borrower, GPG, the FI and ADB; provided that the Relending Agreement will

specify that, if the FIs propose to change their template Subloan Agreement, they will seek approval from GPG, and GPG will inform ADB of the changes.

(c) Except as ADB may otherwise agree, the amortization schedule applicable to each loan under a Relending Agreement (i) shall not extend beyond the date for payment of the last principal installment as specified in the Loan Agreement, including a grace period on the repayment of principal not exceeding the last day of the grace period specified in the Loan Agreement; and (ii) shall provide for approximately equal semiannual aggregate payments of principal.

Section 2.05. Without limiting the generality of the foregoing provisions of Section 2.04(a) of this Project Agreement and in addition to any other provisions which a prudent lender would request, each Subloan Agreement or a combination of the Subloan Agreement and an Ancillary Commitment Letter, shall include provisions to the effect that:

- (i) the Qualified Subborrower shall carry out and operate the Qualified Subproject with due diligence and efficiency and in accordance with sound applicable technical, financial, business and development practices, including maintenance of adequate accounts and records;
- (ii) the proceeds of the Subloan shall be used only for procurement in member countries of ADB, in accordance with established private sector or commercial practices and procedures acceptable to ADB, of Goods which are produced in and supplied from, and Works and Consulting Services which are supplied from, such countries;
- (iii) the Goods, Works and Consulting Services financed by the Subloan shall be used exclusively in the carrying out of the Qualified Subproject;
- (iv) ADB, GPG, and the FI shall each have the right to inspect such Goods and Works, the Qualified Subborrower, the Qualified Subproject and any relevant records and documents;
- (v) the Qualified Subborrower shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound business practice, and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of Goods 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;
- (vi) ADB, GPG and the FI shall each be entitled to obtain all such information as each shall reasonably request relating to the Subloan, the Goods, Works and Consulting Services, the Qualified Subproject, the Qualified Subborrower and other related matters; and
- (vii) The FI shall be entitled to suspend or terminate further access by the Qualified Subborrower to the use of the proceeds of the Loan upon failure by the Qualified Subborrower to perform its obligations under its Subloan Agreement or its Ancillary Commitment Letter with the FI.

Section 2.06. GPG shall ensure that the FI shall promptly and effectively exercise its rights in relation to each Qualified Subproject and Subloan in accordance with the standards of a prudent lender and in such manner as to protect the interests of the Borrower, GPG, the FI and ADB.

ARTICLE III

Particular Covenants

Section 3.01. (a) GPG shall and shall cause the IAs 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 in the conduct of its business, GPG shall and shall cause each IA to perform all the obligations set forth in the Loan Agreement and in the Schedule to this Project Agreement that are relevant to it.

Section 3.02. GPG shall, and shall cause the governmental IAs 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 carrying out the Project, but this requirement shall not apply to Qualified Subprojects except as specified herein or in the PAM.

Section 3.03. (a) In carrying out the Project, GPG shall cause the governmental IAs to employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB, but this does not require the government to apply ADB procurement procedures.

(b) Except as ADB may otherwise agree, GPG shall cause the IAs to procure all items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 3 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 3.04. GPG shall, and shall cause the governmental IAs and the FIs to, carry out and to ensure that the subborrowers carry out the parts of the Project to be carried out by each of them as set out in the PAM in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. GPG shall 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 3.05. (a) GPG shall cause the governmental IAs 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, GPG undertakes to insure, or cause to be insured, the Goods to be imported by governmental agencies 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 3.06. GPG shall require the FIs at all times to make adequate provision to protect themselves against any loss resulting from changes in the rate of exchange between the Renminbi and the currency or currencies in which the FIs' money obligations under the Relending Agreements will have to be met.

Section 3.07. GPG shall ensure that FIs only make Subloans to Qualified Subborrowers who have adequate counterpart funding and other resources which are required by such Qualified Subborrowers for the carrying out of the respective Qualified Subprojects in respect of which the Subloans are to be made.

Section 3.08. GPG shall and shall require each IA to maintain records and accounts adequate to record the progress of the Project and of each Qualified Subproject (including the cost thereof) in accordance with consistently maintained sound accounting principles.

Section 3.09. (a) ADB and GPG shall, and GPG shall ensure that the FIs and the other IAs shall cooperate fully with each other to ensure that the purposes of the Loan will be accomplished.

(b) GPG shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project or any subproject or Subloan, the performance of its obligations under this Project Agreement or the Relending Agreement, or the accomplishment of the purposes of the Loan, and GPG shall ensure that the FIs and other IAs promptly inform it of all such matters so that it can inform ADB.

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

Section 3.10. (a) GPG shall 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 Project; (iii) the Qualified Subborrowers, the Qualified Subprojects and the Subloans; (iv) the administration, operations and financial condition of the FIs; and (v) any other matters relating to the purposes of the Loan and GPG shall ensure that the FIs and other IAs promptly inform it of all such matters and provide it all relevant reports so that it can inform ADB.

(b) Without limiting the generality of the foregoing, GPG shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the IAs. 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 and GPG shall ensure that the FIs and other IAs promptly inform it of all such matters and provide it all relevant reports so that it can inform ADB.

(c) Promptly after the Loan Closing Date, but in any event not later than 3 months after the said closing date or such later date as ADB may agree for this purpose, GPG shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the utilization of the Loan, the execution of the Qualified Subprojects, their costs, the performance of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan and GPG shall ensure that the FIs and other IAs promptly inform it of all such matters so that it can inform ADB.

Section 3.11. (a) GPG shall and shall ensure that each IA shall (i) maintain separate ledger 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, in the case of GPG, on the use of the procedures for imprest fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); 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) GPG shall ensure that each FI shall (i) prepare entity annual financial statements in accordance with accounting principles acceptable to ADB; (ii) have such financial statements audited 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; (iii) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements); (iv) 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, and audit report, 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.

(c) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements for the Project within 30 days of the date of their receipt by posting them on ADB's website.

(d) GPG shall and shall cause each FI and each other IA to enable ADB, upon ADB's request, to discuss the financial statements for the Project (and, in the case of the FIs, their entity financial statements) and its financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(ii) hereinabove, and shall authorize and require the FIs and other IAs to authorize 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 GPG or the relevant FI, unless they shall otherwise agree.

Section 3.12. GPG shall and shall cause the FIs and the other IAs to enable ADB's representatives to inspect any Project activities, any Qualified Subborrower, any

Qualified Subproject, any Goods and Works, and any relevant records and documents including FI records concerning subloans.

Section 3.13. (a) GPG shall require and ensure that the FIs shall, promptly as required, take all action within their respective powers to maintain their respective corporate existence, to carry on their respective 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 respective businesses.

(b) GPG shall require and ensure that the FIs and the other IAs at all times conduct their respective businesses in accordance with sound applicable technical, financial, and business practices, and under the supervision of competent and experienced management and personnel.

(c) GPG shall require and ensure that, except as ADB may otherwise agree, the FIs and the other IAs shall not sell, lease or otherwise dispose of any of their respective assets which shall be required for the efficient carrying on of their respective operations or the disposal of which may prejudice their respective ability to perform satisfactorily any of their respective obligations under the Relending Agreements.

Section 3.14. Except as ADB may otherwise agree, GPG shall require and ensure that each FI, at all times when it has any loans outstanding under its respective Relending Agreement, shall be in compliance with the prudential regulatory ratios described in paragraph 3.11(b)(iv) that are applicable to entities of its type under government regulation as demonstrated by its most recently delivered audited annual financial statements.

Section 3.15. Except as ADB may otherwise agree, GPG shall ensure that no FI takes, or causes to be taken, any action which would have the effect of amending, abrogating, assigning or waiving any provision of, or any right or obligation of the FI under, its Relending Agreement or any provision of a Subloan Agreement or Ancillary Commitment Letter that would make it inconsistent with this Project Agreement or the PAM.

Section 3.16. Except as ADB may otherwise agree, GPG shall and shall ensure that each FI shall duly perform all of its respective obligations under its Relending Agreement and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Relending Agreement.

Section 3.17. GPG shall ensure that the FIs shall promptly notify it, and GPG shall promptly notify ADB, of any proposal to amend, suspend or repeal any provision of their respective articles, business license or other constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the implementation of its Relending Agreement. GPG shall ensure that each FI shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

ARTICLE IV

Effective Date; Termination

Section 4.01. 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 GPG of such date.

Section 4.02. 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 4.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE V

Miscellaneous

Section 5.01. 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 GPG

No. 696 Donggang West Road
Chengguan District
Lanzhou
Gansu Province

Facsimile Number:

+86 (931) 889 1043.

Section 5.02. (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 GPG may be taken or executed by its Governor or Vice Governor or by such other person or persons as he or she shall designate in writing notified to ADB.

(b) GPG 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 5.03. 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

GOVERNMENT OF GANSU PROVINCE

By 
HE XIANGQI
Authorized Representative

SCHEDULE

Execution of Project

Implementation Arrangements

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

Project Management Offices

2. GPG shall ensure that a Provincial-level PMO and 11 Project County-level PMOs are equipped with professionally skilled staff and appropriate office space, equipment and financial resources to implement the Project through its 15-year implementation period and that all consultants recruited by the PMOs or other government agencies in connection with the Project are technically qualified professionals. All consultants recruited in whole or in part using ADB funds will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

Identification of Subborrowers and Subprojects by PMOs and FIs; FI Autonomy

3. In the Relending Agreements, GPG shall require the FIs to ensure that the subprojects they lend to using monies borrowed under the Relending Agreement, including Recycled Funds, and FI counterpart funding: (a) are to Qualified Subborrowers for Qualified Subprojects and meet all of the relevant selection criteria for that type of borrower and project set out in the PAM and the relevant ESMS; (b) include all water-saving, energy-saving, waste-treatment and other environmental sustainability features that are applicable to that type of project; and (c) comply with all applicable PRC laws.

4. GPG shall ensure that no government agency or official other than the PMOs proposes subborrowers or subprojects to the FIs or RFSPs. GPG shall cause the PMOs and the FIs to follow the principles of fairness, transparency and FI autonomy in the selection of potential subprojects and subborrowers and in proposing subprojects to FIs and, if applicable, to RFSPs. GPG shall further ensure that all subborrowers and subprojects the PMOs propose to the FIs are Qualified Subborrowers and Qualified Subprojects, provided that this shall not limit the FIs' obligations to implement the ESMS and to refrain from entering into a loan agreement with any proposed subborrower unless and until the proposed subproject meets all ESMS standards.

5. In connection with FI autonomy, GPG shall ensure the FIs (and RFSPs if any subborrowers or subprojects are proposed to them) are given a genuine choice as to the Subloans they will make and the Qualified Subborrowers they will lend to. GPG shall, and shall require the other IAs and the PMOs to, respect the FIs' decisions about Qualified Subborrowers proposed to the FIs by any government agency or official and the FIs' decisions to exercise remedies for subborrower non-performance of their contractual obligations. Where an FI or RFSP elects not to make a Subloan to a Qualified Subborrower proposed by a PMO or decides

to make a loan of a shorter tenor than recommended by the PMO, GPG shall cause the PMOs and other government agencies to respect that choice.

6. GPG shall require the FIs to distribute their initial borrowings under the Relending Agreements among the three types of Qualified Subprojects described at subsections 3(a), 3(b) and 3(c), respectively, of Schedule 4 to the Loan Agreement in the amounts specified for those categories of subprojects from time to time in the PAM (as outputs 1, 2 and 3) but the distribution requirement shall not apply to Recycled Funds, which may be loaned to any type of Qualified Subproject in the discretion of the FI.

Supervision by Government

7. GPG shall require the FIs to obtain the relevant PMO's prior approval, and shall cause the PMOs to obtain ADB's prior written non-objection before the PMOs give the FIs their approval for any FI's proposed ESMS or the ESMS of any RFSP or any proposed change to any ESMS.

8. GPG shall and shall cause the Gansu Province Department of Finance to enforce vigorously all of the terms of the Relending Agreements, including, without limitation, those requiring the FIs and RFSPs to apply their approved ESMSs in connection with each Subloan.

9. Where an FI or RFSP does not make Subloans at a sufficient rate to satisfy ADB that the ADB Loan available for FI onlending will be fully utilized prior to the Loan Closing Date, ADB may require GPG to, and GPG shall, or GPG may at its own initiative, cancel all or any part of the unborrowed loan amount that was made available to an FI and either (a) onlend the cancelled amount to another FI under a Relending Agreement on terms and conditions satisfactory to ADB or (b) onlend such cancelled amount itself on commercial terms satisfactory to ADB to Qualified Subborrowers for Qualified Subprojects, and GPG shall reserve the right to do this in the Relending Agreements. In the case where GPG onlends the cancelled amount itself, GPG shall, or shall cause the relevant lending agency to, implement all of the requirements of the PAM, the ESMS and this Project Agreement that are applicable to FIs other than the interest rate cap.

10. GPG shall ensure that the FIs promptly re-lend Recycled Funds to Qualified Subborrowers for Qualified Subprojects as provided in the PAM and set out in the Relending Agreements, and shall monitor and report to ADB on the FIs' compliance with this requirement. The Relending Agreements shall require the FIs to repay to GPG Recycled Funds not re-lent as provided in the PAM. Where any amounts are received by GPG pursuant to this provision, GPG shall inform ADB and confer with ADB to agree how to continue to use such amounts for Project purposes.

11. GPG shall require each FI to submit to the relevant PMO, within 30 days after the end of each quarter of its financial year, information on all Subloans made in the quarter just ended together with sufficient information regarding each subborrower and subproject to enable the PMO to determine whether the Subloans have met all applicable requirements of this Project Agreement, the PAM and the relevant ESMS. GPG shall cause the PMOs to review such reports promptly on receipt. The Relending Agreement shall provide that, where a PMO determines that a Subloan or subproject is not in compliance with any safeguards or other Project requirements hereunder or under the PAM or the applicable ESMS, GPG has a right to (a) require the FI to submit all proposed subloans and subprojects for PMO prior review and

approval until such time as the PMO is satisfied that the FI is ensuring compliance, (b) not count the subloan towards satisfaction of any requirement that the FIs relend Recycled Funds, (c) require the FI promptly to develop and implement a retraining and compliance program acceptable to GPG (and, prior to the Loan Closing Date, to ADB) and/or (d) implement other remedies under the Relending Agreement as GPG shall see fit. GPG shall confer with ADB on the appropriate course of action.

12. GPG shall and shall cause the PMOs to review the annual prudential rating for each FI promptly as it is produced and shall advise ADB if any FI's prudential rating falls below grade 3C (or the equivalent if the scale is changed) in the PRC's prudential rating scale for banks and will confer with ADB and take such action as ADB considers appropriate, which may include an agreed action plan to improve performance, acceleration of the loan to the FI or other actions, and GPG will reserve its right to do require such remedies in the Relending Agreement.

Counterpart Funds

13. GPG shall provide or cause the relevant government agencies to provide timely (a) all counterpart funding specified to be provided by GPG or other government agencies in the Project Agreement and the PAM and (b) such additional counterpart funding as is required to cover for any shortfall of funds or cost overruns in Project activities to be implemented by government agencies.

14. GPG shall require in the Relending Agreements that the FIs provide the counterpart funds to be provided by each of them, in the aggregate amounts as specified in the PAM, for (a) Subloans, (b) capacity building, (c) establishment of grassroots service units in Project Counties, and (d) development of innovative financial products for rural customers, and shall ensure that the FIs provide such funds and undertake such activities prior to the Loan Closing Date in accordance with their Annual Plans.

15. GPG shall require the FIs to make Subloans with all counterpart funds specified in the PAM to be used for making Subloans prior to the Loan Closing Date and shall ensure that all terms and conditions of this Project Agreement and the PAM that are applicable to Subloans made with onlent ADB Loan proceeds, other than the interest rate, be applied to Subloans made with the FIs' counterpart funds. Subloans made with the FIs' counterpart funds must be distributed among Project outputs in the proportions set out in the PAM, as further specified in the Annual Plan; and each Subloan to a RFSP will be cofinanced by the relevant FI in the proportion specified in the PAM.

16. To ensure that subborrowers provide counterpart funds in the aggregate amounts specified in the PAM with respect to subprojects under outputs 1 and 2 (as described in the PAM), GPG shall cause the PMOs to specify (a) the estimated total investment amount for each subproject that the government proposes to the FIs and (b) the maximum amount for the Subloan that may be made to the subborrower(s) for such subproject. Where the FIs make Subloans to Qualified Subprojects proposed by government, GPG will ensure that the Subloan Agreement or Ancillary Commitment Letter for such Subloans requires the subborrowers to provide all financial and material resources needed, in addition to the Subloan, to complete the Qualified.

Environment

17. GPG shall and shall cause the FIs to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Qualified Subproject and all subproject facilities comply with (a) all applicable laws and regulations of the PRC and Gansu Province relating to environment, health and safety; (b) the ESMS adopted by each FI and RFSP; and (c) all measures and requirements set forth in an IEE, where one is required for an Environmental Safeguards Category B Qualified Subproject under applicable law and/or the ESMS and (d) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

18. GPG shall and shall cause the FIs to ensure that throughout the 15 year Project implementation period, so long as any Subloan is outstanding in connection with a particular Qualified Subproject (a) any changes to the subproject design that may potentially cause negative environmental impacts; and (b) environmental monitoring and mitigation measures, are revised as ADB reasonably considers necessary to assure full environmental compliance in all Project activities.

19. GPG will ensure that each Qualified Subproject that comprises establishment or development of a Production Base includes sustainable and climate smart farming practice screening, including water-saving technologies according to the Step B of the ESMS, to be led by the county Bureau of Agriculture and Animal Husbandry agricultural extension technicians, working with the end-borrower, and in consultation with the CPMO environmental officers and LIEC as necessary; that is suitable to the Project County where such subproject is located, unless ADB agrees otherwise for a particular subproject.

Ethnic Minorities

20. GPG shall and shall cause the PMOs to ensure that the preparation, design, construction, implementation, and operation of the Project and each subproject comply with (a) all applicable laws and regulations of the PRC and Gansu Province relating to ethnic minorities; (b) the project level EMDP, (c) the ESMS, including Ethnic Minorities Development Framework, adopted by each FI and RFSP; (d) all measures and requirements set forth in a FI subproject EMDP, where one is required for an Indigenous Peoples Category B subproject as per ESMS and Ethnic Minorities Development Framework and (e) any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and the Borrower.

Resettlement

21. GPG shall and shall cause the FIs to ensure that no involuntary resettlement, as defined in ADB's Safeguard Policy Statement, takes place in connection with the Project or any Qualified Subproject following screening procedures set out in the ESMS.

Safeguard-Related Provisions in Bidding Documents and Works Contracts

22. GPG shall and shall cause the FIs to ensure that all bidding documents and contracts for Works contain provisions that require contractors to: (a) implement all applicable environmental and social requirements (to the extent they concern impacts on affected persons during construction), and any corrective or preventative actions set forth in (i) Safeguards Monitoring Reports or (ii) subsequently agreed between ADB and GPG; (b) monitor relevant

environmental impacts caused by construction and installation activities and report to the relevant authorities; (c) make available a budget for all such environmental and social measures; (d) provide the lending FI or other IA and the relevant PMO (as well as the employer) with a written notice of any unanticipated environmental, social or resettlement risks or impacts that arise during construction, implementation or operation (that were not considered in the subproject's IEE or in the EMDP); (e) adequately record the condition of roads, agricultural land, physical cultural resources and other infrastructure prior to starting to transport materials and construction; and (f) reinstate pathways and other local infrastructure to at least their pre-project condition as soon as possible and no later than the completion of construction.

Safeguards Monitoring and Reporting

23. GPG shall and shall cause the PMOs to do the following: (a) submit Safeguards Monitoring Reports (as described in ADB's Safeguards Policy Statement) to ADB: (i) in respect of implementation of and compliance with Environmental Safeguards, semi-annually until the issuance of ADB's Project completion report unless a longer period is agreed; (ii) in respect of implementation of and compliance with the Indigenous Peoples Safeguards as set out in the FIs' ESMSs, semi-annually until the issuance of ADB's Project completion report unless a longer period is agreed; and (iii) disclose relevant information from such reports to affected people promptly upon submission; (b) until the issuance of ADB's Project completion report, if any unanticipated environmental, resettlement and/or social risks and impacts arise during construction, implementation or operation of the Project (that were not considered in the Qualified Subproject's IEE or the EMDP), promptly inform ADB of the occurrence of such risks or impacts and of any actual or potential breach of relevant law or Project environmental and social requirements, in each case with detailed description of the event and proposed corrective action plan. The contents of the Safeguards Monitoring Report will include but not be limited to: (a) in respect of the Environmental Safeguards: (i) results of work by PMO Environment Officer(s), including assisting the FIs to establish and implement the ESMS; (ii) summary of progress reports received by the PMOs from the FIs to establish and implement the ESMS; (iii) the establishment and operation of a Grievance Redress Mechanism by the Provincial PMO and each Project County PMO; and (iv) progress with the non-ESMS elements of the Project for good environmental management, especially efforts undertaken to achieve water-saving, energy-saving, and climate-smart agriculture; and (b) in respect of the Indigenous Peoples Safeguards and Social and Gender Action Plan will include but not be limited to: (i) results of work by PMO Social Officer(s), including assisting the FIs to establish and implement the ESMS; (ii) summary of progress reports received by the PMOs from the FIs to establish and implement the ESMS; (iii) the establishment and operation of a Grievance Redress Mechanism for Land Use Rights Transfer and social aspects, where applicable, by the Provincial PMO and each Project County PMO; and (iv) progress on implementation of the Project-level EMDP, subproject specific EMDPs, the Social and Gender Action Plan and labor standards, including data on project and subproject implementation and achievements disaggregated by sex, ethnicity, and poverty, and references to grievances and complaints received by the Grievance Redress Mechanism. GPG shall ensure that the FIs submit semi-annual progress reports to the PMOs on progress for establishment and operation of their respective ESMSs and that they reserve rights against subborrowers that enable them to obtain all necessary information. GPG shall ensure that reporting requirements for the PMOs to ADB, and for the FIs to the PMOs, and for the RFSPs to the FIs, in their respective loan agreements, comply with the conditions set out herein and in each ESMS.

Safeguards - Prohibited List of Investments

24. GPG shall and shall cause the FIs to ensure that no proceeds of the ADB Loan, including any Recycled Funds, are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the Safeguards Policy Statement and, among other things, will include a requirement in each Relending Agreement to require FIs to ensure that no Subloan is used to finance any such activity.

Grievance Redress Mechanisms

25. GPG shall and shall cause the PMOs to ensure that, not less than three months before the effective date of the ADB Loan Agreement and before any Subloan is approved by an FI or any construction activity under the Project or any Qualified Subproject is commenced, Grievance Redress Mechanisms acceptable to ADB and meeting the requirements of each approved ESMS are established. Such mechanisms shall function to (a) record all complaints received and review and document eligible complaints of Project and subproject 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.

Procurement for Subprojects and by FIs

26. Without limiting Section 2.01 of the Project Agreement, GPG shall ensure by means of appropriate terms and conditions in the Relending Agreements and Subloan Agreements or Ancillary Commitment Letters that FIs and subborrowers undertake procurement in accordance with established private sector or commercial practices acceptable to ADB. GPG shall cause the FIs and subborrowers to (i) demonstrate that procedures adopted are appropriate in the circumstances; (ii) ensure that Goods, Works and Consulting Services financed by the Subloans are purchased with consideration to economy and efficiency at a reasonable price, given time of delivery, quality and efficiency; and (iii) ensure that Goods, Works and Consulting Services financed by Subloans are procured from ADB member countries.

Non-Safeguards Related Conditions in Works Contracts

27. GPG shall, and shall cause the PMOs and FIs to, ensure that Works contracts for Qualified Subprojects include provisions requiring the contractors to (a) not discriminate against people seeking work on the basis of age, provided they are capable of doing the work; (b) provide equal pay for equal work, regardless of gender or ethnicity; (c) 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 or ethnicity; (d) provide those employed with a written contract; (e) provide the timely payment of wages; (f) use local unskilled labor with priority given to the persons affected by the Project; (g) comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment; (h) not force the labor to work against their will; and (i) not employ child labor. GPG shall and shall cause the FIs to ensure that all Works contractors for Qualified Subprojects 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 Project's performance management system.

Social and Gender Action Plans

28. GPG shall exercise its best efforts to ensure that the Project benefits women and the poor such that the Project achieves the targets in the Social and Gender Action Plan within its first five years.

Public Awareness

29. GPG shall and shall cause the PMOs to undertake public awareness campaigns on the Project and its benefits in each Project County, including but not limited to information related to any IEEs and their EMPs, EMDPs and the Social and Gender Action Plan. Public awareness campaigns shall 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. GPG shall or shall cause the PMOs to develop and maintain web-sites that describe the Project and subprojects in order to provide the public with information on the Project including setting out information about subprojects required under the ESMSs. In addition, GPG shall ensure that the websites and other information outlets for the Project prominently feature a link to ADB's Office of Anticorruption and integrity to enable members of the public to report any allegations of violations of ADB's anticorruption policy in connection with the Project or any subproject.

Governance and Anticorruption

30. GPG shall and shall cause all FIs and other IAs to and all subborrowers (including all subborrowers from RFSPs) to (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 all other offices, organizations and entities involving in implementing the Project and any subproject 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, GPG shall ensure that the Relending Agreements and Subloan Agreements or their Ancillary Commitment Letters and the RFSPs' loan agreements with their borrowers of ADB funds include provisions specifying the right of ADB to audit and examine the records and accounts of the FIs and their subborrowers and the RFSPs and their subborrowers as they relate to the Project and subprojects. GPG and the PMOs shall require the FIs, and ensure that the FIs require the RFSPs, to maintain proper internal controls and management information systems and to prepare financial statements in accordance with national accounting standards.

PMO and FI roles in ESMS Implementation

31. GPG shall ensure that the PMOs do all of the following:

(a) The Provincial PMO and each Project County PMO will appoint a full-time Environmental Officer and a full-time Social Officer to assist the FIs and RFSPs to establish and implement their respective ESMSs in accordance with the template ESMS provided by ADB. GPG will ensure that the PMOs' Environmental Officers and Social Officers are recruited or appointed at least three months before the effective date of the Loan Agreement.

(b) The PMOs will perform all of the functions assigned to them in each ESMS approved for an FI or RFSP.

(c) The Provincial PMO will recruit at least one Loan Implementation Environmental Consultant (“LIEC”) and one Loan Implementation Social Consultant (“LISC”), to assist the Project County PMOs, FIs, and RFSPs to establish and implement all aspects of their ESMSs.

(d) The PMOs will engage the LIECs and LISC to provide a minimum of 14 months and 10 months of services respectively, for the first 30 months of the Project. ADB and GPG will review the need to extend environmental and social consultant support for the FIs after 18 months of Project implementation.

(e) The PMOs will review all applications from RFSPs to borrow from the FIs and will assist the FIs to assess the potential RFSPs’ (i) existing capacity for environmental and social corporate responsibility; and (ii) willingness and ability to adopt a simplified ESMS acceptable to ADB and to participate in training for the ESMS and sustainable agriculture.

(f) In selecting proposed subprojects, the PMOs will adhere to the guidelines in the ESMSs concerning Subloan applications that the Project will support, will favor and promote, and will not support.

32. GPG will ensure that the FIs do all of the following:

(a) Each FI will at least three months before the first loan disbursement to an FI from GPG: (i) appoint an Environmental Manager and Social Manager, meeting the terms of reference in its respective ESMS, to lead the internal establishment and implementation of its ESMS; and (ii) assign responsibility for daily implementation of the FI’s ESMS to existing FI loan officers. Initially the Environmental Manager and Social Manager will be existing managerial staff in the FI; and the FIs and Provincial PMO will review with ADB the approach of appointing existing, non-qualified FI staff to implement the ESMS, supported by the LIEC and LISC, approximately 18 months after the effective date of the Loan Agreement, and, if the review finds the approach is unsuccessful, GPG will cause the FI(s) to recruit qualified staff to implement the ESMS.

(b) Each FI will ensure that the personnel responsible to implement the ESMS, including senior staff appointed as the FI’s Environmental and Social Managers, and loan staff who will implement the ESMS on a daily basis, are recruited or appointed at least three months before the first disbursement from GPG to the FI under its Relending Agreement.

Relending Agreements, Subloan Agreements and Ancillary Commitment Letters

33. GPG shall ensure that, in addition to any terms and conditions required to implement and to enable GPG to monitor performance of the FIs’ and subborrowers’ roles and responsibilities stated elsewhere in this Project Agreement, the PAM and the ESMSs, the Relending Agreements contains the following terms:

- (a) That ADB Loan pricing shall be passed on to the FIs with no margin (except where default interest is charged) and that the interest rates FIs charge on Subloans will be interest rates subject, initially, to a cap of 6.5%, which cap will be increased by adding 0.5% if the interest rate on the ADB Loan (and, therefore, on the loans made under the Relending Agreement) reaches 2% and by adding an additional 0.5% each time the interest rate on the ADB Loan (and, therefore, on the loans made under the Relending Agreement) increases by 0.5% thereafter; provided that the interest rate cap shall not apply to Subloans made by the FI with counterpart funds or to Subloans made to RFSPs, and provided, further, that the equivalent principles will apply to lower the cap, but not below 6.5%, if the rate payable on the ADB Loan decreases after increasing to or above 2%;
- (b) That the FIs shall promptly onlend the Renminbi equivalent from time to time of the loan proceeds;
- (c) That the tenors of Subloans generally should be coordinated with Qualified Subproject needs;
- (d) That the FIs will undertake “know your customer” due diligence on all subborrowers, including understanding the controlling persons of the subborrowers and the actual beneficiaries of the Subloan transaction, and will record the results of such due diligence and make it available for inspection by representatives of ADB and GPG;
- (e) That the availability period for the FI to borrow shall commence when the FI has met all conditions precedent and shall terminate not later than the Loan Closing Date;
- (f) That where an FI does not make enough Subloans in the aggregate or to any category of Qualified Subborrower to satisfy the lender that the FI’s available loan amount will be fully utilized within the loan availability period the lender may cancel all or any part of the FI’s unborrowed available loan amount;
- (g) The loans shall amortize in coordination with the ADB Loan amortization schedule, but repayments will be required approximately one month in advance of each corresponding repayment required to be made to ADB;
- (h) Not later than three months prior to requesting any loans, the FI will provide to the relevant PMO, and receive the PMO’s approval of, an ESMS that implements the template ESMS provided by ADB; the FI will fully implement its ESMS in connection with each Subloan; and that no Subloans may be made or approved by an FI prior to the implementation of its approved ESMS;
- (i) GPG may suspend lending to any FI that fails to enforce the environmental and social requirements set out in the PAM and the FI’s approved ESMS and/or may cancel any unborrowed available loan amount, and/or may require any or all of the loans made to the FI to be repaid on an accelerated basis and/or may exercise any other remedies available to it as a lender under PRC law;

(j) Among other remedies, GPG may charge a specified additional amount of interest when the FI is not in compliance with any of its undertakings under the Relending Agreement until the FI comes into compliance, and such additional interest will not affect the interest rate cap;

(k) The FI must make a loan to at least one RFSP within two years after the effective date of the ADB Loan and will require its RFSP borrowers to meet all mandatory prudential and other requirements applicable to them under PRC law and will require the RFSPs to implement a simplified ESMS, developed by the RFSPs in cooperation with the PMOs (with ADB's prior approval) that requires that the RFSPs onlend the proceeds only for Category C subprojects under all ADB SPS categories;

(l) No Qualified Subborrower or affiliated group of Qualified Subborrowers may have outstanding at any one time loans in excess of the RMB equivalent of \$2,500,000; (b) The average size of Subloans made to enterprises and cooperatives in any financial year shall not exceed the RMB equivalent (at the end of the relevant year) of \$500,000 and the average size of Subloans made to individual farmers and farm households in any financial year shall not exceed the RMB equivalent (at the end of the relevant year) of \$100,000;

(m) Each Subloan Agreement or the related Ancillary Commitment Letter must specify clearly (i) the Qualified Subproject that the Subloan is to fund, (ii) any environmental, social or other requirements relating to subproject design or implementation that are required under the PAM and/or the ESMS for subprojects of that type, (iii) that the Subloan must be used exclusively to fund eligible costs and expenditures of the specified Qualified Subproject, and (iv) that no part of a Subloan may be used to finance activities prohibited under the SPS;

(n) The FIs will ensure that the aggregate amount of their "shenong" loans (loans to farmers, farm households, farmers' cooperatives and ASMEs), excluding Subloans made with the ADB Loans, in each Project County in which they operate is not less than 50% greater in year 2020 than the amount reported for such Project Counties in their 2014 financial statements; and

(o) That the FI shall ensure that its annual prudential rating in the PRC regulatory rating system for banks does not fall below 3C (or the equivalent if the rating scale is changed from that in effect at the date of this agreement).

34. GPG shall ensure that, in addition to any terms and conditions required to implement and to enable the FIs and GPG to monitor performance of the RFSPs' roles and responsibilities stated elsewhere in this Project Agreement, in the PAM and in the ESMSs, the Subloan Agreements and/or Ancillary Commitment letters for loans to RFSPs will include the following terms:

(a) The RFSPs will adopt and implement a simplified ESMS, developed by the RFSPs in cooperation with the PMOs (with ADB's prior approval), in selecting and monitoring subborrowers and subprojects. Among other things, the RFSPs' ESMSs will require that the RFSPs onlend only for Category C subprojects under all ADB SPS categories;

(b) All subborrowers will be required to adhere to all applicable PRC laws in connection with the purpose for which the loan was made;

(c) All subprojects supported must be for general agriculture-related purposes: the "eligible subborrower" and "eligible subproject" definitions will not apply to loans made by RFSPs;

(d) No proceeds of any loan made by an RFSP with funds borrowed from an FI may be used to finance activities prohibited under the SPS;

(e) GPG, the PMOs, ADB, the lending FI, and the lending RFSP shall each be entitled to obtain all such information as each shall reasonably request relating to the onlent loans, the Goods, Works and consulting services financed out of the onlent loans, the subproject, the subborrower, and the relevant books and records and accounts of all contractors, suppliers and consultants and other service providers as they relate to the subprojects for which the loans are made;

(f) All subprojects shall comply with ADB's Safeguards Policy Statement, and the subborrower shall submit to the RFSP, which shall submit to the lending FI, all records and documents regarding the same as may be requested from time to time;

(g) The subborrower shall provide equal employment opportunities for men and women, shall pay equal wages for work of equal value, shall appoint or promote women in managerial, technical and administrative positions, and shall submit to the RFSP all records and documents regarding the same as may be requested from time to time;

(h) The RFSP shall be entitled to suspend or terminate further access by the subborrower to the use of the Subloan and/or may exercise all other remedies available to it in accordance with applicable law upon failure by the subborrower to perform its obligations under its agreement with the RFSP.

35. GPG shall ensure that the FIs make to GPG, and the RFSPs make to the FIs, undertakings regarding their respective ESMS responsibilities, which, in addition to any matters set out elsewhere in this Project Agreement, the PAM or the template ESMS, shall include:

(a) Each FI will submit semi-annual progress reports to its relevant Project County PMO(s) on progress in establishment and operation of its ESMS. Each FI will participate in a review with the PMOs and ADB of the effectiveness of its ESMS implementation after 18 months of Project implementation, and will make such changes to its process and ESMS personnel as ADB and GPG require following such review;

(b) Each FI will adhere to the guidelines in its respective ESMS, with respect to the subprojects that the Project will support, will favor and promote, and will not support;

(c) Each FI will, and will require the RFSPs that borrow from it to, ensure that all screening, categorization, and assessment of loan applications specified in its

respective ESMS is conducted before final approval of any Subloan by the FI or RFSP;

(d) Each FI will, and will require the RFSPs that borrow from it to, ensure that any relevant measures to avoid, reduce and/or mitigate environmental and/or social impacts are included in the loan contracts with their respective subborrowers or in a separate written undertaking from the subborrower that gives the FI or RFSP the right to exercise Subloan remedies for failure of the subborrower to comply;

(e) Each FI will, and will require the RFSPs that borrow from it to, ensure that all personnel with responsibility for approving and implementing Subloans complete all training provided by the Project and the PMOs for implementation of their ESMS and regarding sustainable agriculture;

(f) Each FI will screen all RFSPs that apply for loans, including assessing their: (i) existing capacity for environmental and social corporate responsibility; and (ii) willingness to adopt the ESMS and participate in training for the ESMS and sustainable agriculture. All FIs and RFSPs may seek the PMOs' assistance to conduct the screening;

(g) Each FI will ensure that (a) any changes to a Qualified Subproject's design that may potentially cause negative environmental impacts; and (b) environmental monitoring and mitigation measures, are revised as the PMO advises is necessary to assure full environmental compliance in all Project activities.

36. GPG will ensure that all Subloan Agreements or a combination of the Subloan Agreements and related Ancillary Commitment Letters for each Subloan include such terms as are necessary or advisable to implement the other terms of this Project Agreement, including, without limitation the following provisions:

(a) Subborrowers carry out and operate subprojects with due diligence and efficiency and in accordance with sound administrative, financial, business and environmental practices, including maintenance of adequate accounts and records;

(b) The proceeds of the Subloans shall be used only for procurement of Goods, Works and Consulting Services in ADB member countries, in accordance with procedures meeting the standards in paragraph 26 (Procurement) of this Schedule;

(c) the Goods, Works and Consulting Services to be financed out of the Subloans shall be used exclusively in the carrying out of the Qualified Subprojects in accordance with the Qualified Subborrowers' approved Subloan applications;

(d) Subborrowers will fund any shortfall of funds for subprojects or cost overruns of Qualified Subprojects to ensure that the Qualified Subprojects are completed as provided in Subloan approvals;

- (e) All Goods, Works and Consulting Services procured for a subproject (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other Goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party;
- (f) All contracts for the procurement of Goods, Works and Consulting Services for a subproject will contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier or consulting services;
- (g) GPG, the PMOs, ADB, the lending FI, and, if applicable, the lending RFSP shall each have the right to inspect the Goods and Works financed by the Subloan or RFSP loan, the subborrower, the subproject, and any relevant records and documents;
- (h) The Qualified Subborrowers shall take out and maintain with accredited insurers insurance against such risks and in such amounts as shall be consistent with sound business practice, and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of Goods financed out of the proceeds of the Subloan 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;
- (i) GPG, the PMOs, ADB, the lending FI, and, if applicable, the lending RFSP shall each be entitled to obtain all such information as each shall reasonably request relating to the Subloan, the Goods, Works and Consulting Services financed out of the Subloan, the subproject, the subborrower, and the relevant books and records and accounts of all contractors, suppliers and consultants and other service providers as they relate to the subproject;
- (j) All subprojects shall comply with ADB's Safeguards Policy Statement, and the subborrower shall submit to GPG, the PMO, ADB, the lending FI, and, if applicable, the lending RFSP all records and documents regarding the same as may be requested by any of them from time to time;
- (k) The subborrower shall provide equal employment opportunities for men and women, shall pay equal wages for work of equal value, shall appoint or promote women in managerial, technical and administrative positions, and shall submit to GPG, the PMO, ADB, the lending FI, and, if applicable, the lending RFSP all records and documents regarding the same as may be requested by any of them from time to time;
- (l) The FI shall be entitled to suspend or terminate further access by the subborrower to the use of the Subloan and/or may exercise all other remedies available to it in accordance with applicable law upon failure by the subborrower to perform its obligations under its agreement with the FI.