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LOAN NUMBER 3277-PRC

PROJECT AGREEMENT

(Hubei Enshi Qing River Upstream Environment Rehabilitation Project)

between

ASIAN DEVELOPMENT BANK

and

HUBEI PROVINCIAL GOVERNMENT

ENSHI TUJIA AND MIAO AUTONOMOUS PREFECTURAL GOVERNMENT

DATED 3 NOVEMBER 2015

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PRC 47048

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 3 November 2015 between ASIAN DEVELOPMENT BANK (“ADB”) of one part, and HUBEI PROVINCIAL GOVERNMENT (“HPG”) and ENSHI TUJIA AND MIAO AUTONOMOUS PREFECTURAL GOVERNMENT (“ETMAPG”) 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 million Dollars (\$100,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available, through HPG to ETMAPG and that ETMAPG and HPG agree to undertake certain obligations towards ADB set forth herein; and

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

## **ARTICLE II**

### **Particular Covenants**

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

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

Section 2.02. HPG and ETMAPG shall, and shall cause the Project Implementing Agencies to, make available, promptly as needed, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, ETMAPG shall, and shall cause the Project Implementing Agencies 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, ETMAPG shall, and shall cause the Project Implementing Agencies 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. ETMAPG shall, and shall cause the Project Implementing Agencies to, carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. ETMAPG shall, and shall cause the Project Implementing Agencies 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) ETMAPG shall, and shall cause the Project Implementing Agencies 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, ETMAPG undertakes, and causes the Project Implementing Agencies to undertake, to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

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

Section 2.07. (a) ADB, HPG and ETMAPG shall, and shall cause the Project Implementing Agencies to cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) HPG and ETMAPG shall, and shall cause the Project Implementing Agencies 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, HPG and ETMAPG shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, ETMAPG and the Loan.

Section 2.08. (a) ETMAPG shall, and shall cause the Project Implementing Agencies 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 ETMAPG concerning the Project and the Project Implementing Agencies; and (v) any other matters relating to the purposes of the Loan.

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

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

Section 2.09. (a) HPG and ETMAPG shall, and shall cause the Project Implementing Agencies 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) In addition to annual audited financial statements referred to in subsection (a) hereinabove, ETMAPG shall cause the Project Implementing Agencies to (i) provide its annual financial statements prepared in accordance with national accrual-based

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

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

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

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

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

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

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

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

### **ARTICLE III**

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

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify HPG and ETMAPG 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) 636-2534.

For HPG

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

Facsimile Number:

(86) 27-67818629

For ETMAPG

Enshi Tujia and Miao Autonomous Prefectural Government  
No. 223 Wu Yang Avenue  
Enshi City, Hubei Province  
People's Republic of China

Facsimile Number:

(86) 718-8219959.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement (i) by or on behalf of HPG may be taken or executed by its Governor or Vice Governor, (ii) by or on behalf of ETMAPG may be taken or executed by its Head or Deputy-Head of Prefecture, or by such other person or persons as he or she shall so designate in writing notified to ADB.

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

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

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

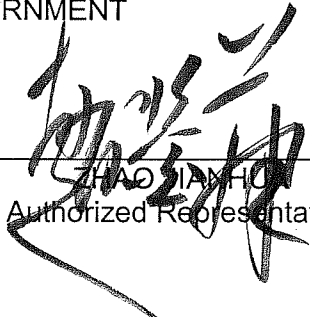
ASIAN DEVELOPMENT BANK

By   
AYUMI KONISHI  
Director General  
East Asia Department

HUBEI PROVINCIAL GOVERNMENT

By   
ZHAO JIANHUA  
Authorized Representative

ENSHI TUJIA AND MIAO  
AUTONOMOUS PREFECTURAL  
GOVERNMENT

By   
ZHAO JIANHUA  
Authorized Representative



## SCHEDULE

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

#### Implementation Arrangements

1. HPG and ETMAPG shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by HPG, ETMAPG and ADB. In the event of any discrepancy between the PAM and this Project Agreement, the provisions of this Project Agreement shall prevail.
  
2. HPG and ETMAPG shall ensure that throughout Project implementation, the PMO and Project Implementing Agencies (a) are fully equipped with professionally skilled and experienced staff including (i) PMO director; (ii) deputy director; (iii) finance and accounting officer; (iv) resettlement and environment safeguards officers; (v) procurement officers; and (vi) technical staff; and (b) have reasonable office space, equipment, and adequate financial resources required for the timely and smooth implementation of the Project.
  
3. HPG and ETMAPG shall ensure that the agencies and entities responsible for the operation and maintenance of the Project facilities shall be fully involved in Project implementation and shall cause such agencies and entities to participate in the Project design, preparation of bidding documents, procurement and contract management.

#### Technical - General Design and Quality Control Requirements

4. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that:
  - (a) all Works to be carried out under the Project are designed by Class A design institutes and that sufficient counterpart funds are available for the engagement of such institutes;
  
  - (b) the Class A design institutes complete relevant geological (including earthquake) and geotechnical investigations in the detailed design phase in accordance with relevant national, provincial and local design codes and standards, incorporate adequate risk mitigation measures into the designs and design all infrastructure and facilities in accordance with national standards and specifications; and
  
  - (c) the construction management, quality control, contract management, final completion and acceptance comply with all applicable national law and provincial and local regulations.

#### Sewage Network Connections

5. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that the Housing and Construction Bureau and Planning Bureau timely plans and constructs all the necessary connections to households within two years after the

Project interceptor and branch sewers installations are completed.

6. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that the agencies and entities responsible for the operation and maintenance of the WWTPs mentioned in the PAM:

- (a) prepare an operation and maintenance plan and an annual basic budget plan for Project operation and maintenance;
- (b) provide adequate funding and staffing for the operation and maintenance of the WWTPs;
- (c) prepare and implement detailed plans for wastewater discharge before authorization and approval from relevant authorities and ADB;
- (d) monitor the discharge of wastewater;
- (e) report implementation results to ADB in regular Project reports;
- (f) treat and dispose of all sludge from WWTPs after commissioning in accordance with the design requirements and national discharge standards; and
- (g) discharge the wastewater collected from the WWTPs in accordance with national discharge standards.

7. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that all industrial wastewater must be appropriately pre-treated prior to discharge into the sewage system in accordance with national and local standards.

#### River Rehabilitation

8. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that all dredging sludge will be treated and disposed according to the design requirements and national standards.

9. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that advanced dredge cutter heads which are designed to restrict suspended solids dispersion in operations to less than 15 meters are used for all dredging activities under the Project.

10. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that (a) community environmental supervision and flood management teams are established in eight pilot communities to help raise the environmental awareness of community residents to eliminate improper disposal of solid waste and waste dumping into the Qing River; and (b) the PIUs of Enshi City and Lichuan City review the results of these activities, and develop and implement an action program to maintain the Qing River, and prevent garbage dumping and that garbage is properly collected and sent to appropriate landfill sites.

### Wastewater Tariff

11. HPG and ETMAPG shall ensure that the governments of Enshi City and Lichuan City establish subsidiary accounts within the municipal government financial reporting system to report all wastewater tariff revenues and wastewater department costs in a manner that allows these costs and revenues to be clearly identified and evaluated and the cost reporting in these accounts include all operating costs as well as investments in wastewater infrastructure.

12. HPG and ETMAPG shall ensure that the governments of Enshi City and Lichuan City: (a) evaluate each year the cost recovery performance of municipal wastewater operations; (b) undertake an annual review of wastewater tariffs including a comparison of existing tariffs with tariffs required to cover basic operating costs, debt service and capital replacement costs; (c) commit to a progressive increase of wastewater tariffs to achieve full cost recovery in accordance with national wastewater tariff policies and regulations; and (d) provide subsidies to fully cover funding shortfalls in wastewater operations caused by tariffs that fail to achieve full cost recovery.

13. HPG and ETMAPG shall ensure that the governments of Enshi City and Lichuan City: (a) undertake an annual assessment of the impact of existing wastewater tariffs on the poor; and (b) take necessary measures to ensure service provision to the poor.

14. HPG and ETMAPG shall ensure that the governments of Enshi City and Lichuan City include public consultations in their tariff setting process during the process of adjusting wastewater tariffs for urban services.

### Environment

15. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies 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 Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EIA, the EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report; or (ii) which are subsequently agreed between ADB and ETMAPG.

16. Pre-construction readiness. HPG and ETMAPG shall implement the following measures in the pre-construction phase to ensure the Project's environment management readiness: (a) appointment of a qualified environment officer, satisfactory to ADB, as part of the PMO staff; (b) recruitment of at least one loan implementation environment consultant (as part of the loan administration consultant services); (c) ensure that the Project Implementing Agencies have arranged contractual agreements with local environment monitoring stations to conduct the environmental impact monitoring described in the EMP; (d) adjustment of environmental mitigation and monitoring measures in the EMP based on final engineering design, as necessary; and (e) prior to commencing any Works, preparation of the site environmental management and supervision plan.

17. Training. HPG and ETMAPG shall ensure that before and during each subproject construction, the PMO shall conduct training on implementation of the relevant EMP to the Project Implementing Agencies, city project management offices and contractors.

18. Water source protection zone of the Lichuan No. 1 Water Treatment Plant (WTP). HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure the enforcement of the regulations for the WTP protection zone, including the discharge of wastewater into the Qing River, in the existing water protection zone as well as the extended zone to be supported by the Project.

19. Industrial effluent. To ensure the effectiveness of the Project activities to reduce water pollution, HPG and ETMAPG shall ensure that relevant city governments and Prefectural Environmental Protection Bureaus shall: (a) identify the key polluting industries which discharge industrial effluent into the Qing River; (b) ensure that industries contain adequate on-site pre-treatment processes; (c) monitor the quality of industrial wastewater discharged by industrial enterprises into the sewage system and compliance with PRC Water Quality Standard for Wastewater Discharged into Municipal Sewers; and (d) take action against non-compliant industrial enterprises.

20. Use of native plant species. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that for all Project embankments, constructed wetlands, landscaping, planting of green belts at WWTPs, and post-construction rehabilitation, the Project shall only use native plant species which are locally sourced to strengthen the rehabilitation of natural habitats and to avoid the introduction of non-native invasive weeds. The lists of plant species for use are in Tables IV.16-17 (Section V.C) of the EIA.

21. Invasive species. To further avoid the risk of spreading weeds, pest animals, and/or soil-based organisms, HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that the Project shall: (a) prohibit the use of any plant species classified in the People's Republic of China as weeds, as defined by the China National Invasive Plant Database (<http://www.agripests.cn>; 229 species) and by the Ministry of Environment Protection and Chinese Academy of Sciences (19 species); (b) prohibit the introduction of soil, rocks, or plants from outside the Enshi Tujia and Miao Autonomous Prefecture; (c) ensure that construction soil and dredge spoil is disposed within the boundaries of Enshi City and Lichuan City; and (d) ensure that Project vehicles and machinery are washed down before leaving the boundaries of Enshi City and Lichuan City.

22. Wetland specialist. HPG and ETMAPG shall ensure that the PMO shall recruit a wetland specialist to: (a) design the habitat-specific features of the embankments and constructed wetlands, focusing on creating breeding and foraging habitats for native flora, fish, amphibians, and turtles; and (b) inspect the new structures immediately after completion, and while the contractor and machinery are still present, to ensure compliance with the habitat designs. Monitoring details are in Table A1.4 of the project EMP (Attachment 1 of the EIA).

23. Green House Gases (GHG) emissions reduction. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that the WWTPs shall refine their operations to reduce GHG emissions and introduce a GHG monitoring system according to the EMP. HPG and ETMAPG shall cause the PMO to recruit a GHG specialist to (a) introduce a GHG monitoring system for the WWTPs; (b) train the Project Implementing

Agencies and WWTPs in GHG monitoring; (c) work with the WWTPs to further reduce GHG emissions through improved practices; and (d) facilitate the calculation and reporting of the monitoring results.

#### Land Acquisition and Involuntary Resettlement

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

25. Without limiting the application of the Involuntary Resettlement Safeguards or the RPs, HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that no physical or economic displacement takes place in connection with the Project until:

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

#### Indigenous Peoples or Ethnic Minorities

26. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies 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 Borrower relating to indigenous peoples or ethnic minorities; (b) the Indigenous Peoples Safeguards; and (c) all measures set forth in the EMDP, and any corrective or preventive actions (i) set forth in a Safeguard Monitoring Report or (ii) subsequently agreed between ADB and the ETMAPG.

#### Human and Financial Resources to Implement Safeguards Requirements

27. HPG and ETMAPG shall make available the necessary budgetary and human resources to fully implement the EMP, the RPs, EMDP, SAP and GAP.

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

28. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the EIA, the EMP, RPs and EMDP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards,

the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report; or (ii) as subsequently agreed between ADB and ETMAPG;

- (b) make available a budget for all such environmental and social measures;
- (c) provide ETMAPG and the Project Implementing Agencies with a written notice of any unanticipated environmental, resettlement or indigenous peoples or ethnic minorities risks or impacts that arise during construction, implementation or operation of the project that were not considered in the EIA, the EMP, the RPs and the EMDP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition as soon as possible and no later than the completion of construction.

#### Safeguards Monitoring and Reporting

29. HPG and ETMAPG shall do or cause the Project Implementing Agencies to do the following:

- (a) submit Safeguards Monitoring Reports to ADB in respect of (i) implementation and compliance with Environmental Safeguards and the EMP, semi-annually during the construction and implementation of the Project and the EMP, and thereafter semi-annually during operation until the issuance of the Project completion report unless a longer period is agreed in the EMP; and (ii) implementation and compliance with Involuntary Resettlement Safeguards and Indigenous Peoples Safeguards and the RPs and the EMDP, semi-annually during the implementation of Project and the RPs and the EMDP until the issuance of the ADB Project completion report unless a longer period is agreed in the RPs and EMDP; and disclose the relevant information from such reports to the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the EIA, the EMP, the RPs and EMDP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than the commencement of land acquisition and resettlement activities, engage an independent agency under a selection process

and terms of reference acceptable to ADB, to monitor and evaluate resettlement progress, and facilitate the carrying out of any verification activities by such external experts, and forward semi-annual external resettlement monitoring and evaluation reports to ADB during resettlement implementation and annually for two years after the completion of resettlement implementations; and

- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, the RPs or the EMDP promptly after becoming aware of the breach.

### Labor and Health

30. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies, PMO, PIU and contractors and service providers comply with (a) all applicable labor laws of the Borrower on the prohibition of child and forced labor; (b) give equal pay for equal work regardless of gender, ethnicity or social group; (c) give priority to women in the employment and training opportunities generated in the project's construction and operation phases; (d) maximize the employment of local people who meet the job and efficiency requirements for project construction, operation and maintenance; (e) provide such workers with adequate on-the-job and safety training; (f) disseminate information on sexually transmitted diseases (including HIV/AIDS) and human trafficking to sub-contractors/employees and local communities surrounding the project construction sites; (g) implement HIV/AIDS awareness and prevention training for sub-contractors/employees in collaboration with the Center for Disease Control; (h) implement human trafficking awareness activities; (i) provide necessary measures to ensure the safety and health of its sub-contractors/employees; and (j) observe local customs concerning acceptable behavior towards the local population.

### Gender and Social Dimensions Monitoring

31. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are monitored and reported in semi-annual progress reports to ADB; and (e) key gender outcome and output targets include, but not limited to ensuring (i) women's participation during consultations with the general public in public hearings, in decision-making processes, and in any local decision-making bodies and structures; (ii) the prioritization of job opportunities for women during and after project implementation, and providing appropriate training; (iii) women are included as participating members in Project-related seminars, workshops, and meetings; (iv) the collection of sex disaggregated data where appropriate; and (v) focus on women's involvement in the public awareness campaigns on water conservation, solid waste management, and flood risk and preparedness.

32. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that (a) the SAP is implemented in a timely manner during and after the completion of construction activities under the Project, including actions to (i) minimize

nearby residents' discontent with construction disturbances; (ii) make a reasonable decision about tariff increase based on affordability analysis; (iii) improve public awareness on water conservation, environmental protection and public health; and (iv) increase residents' participation in decision making on public transport routes; (b) adequate funds are allocated and made available for the implementation of the SAP; and (c) the SAP implementation is monitored and reported in semi-annual progress reports to ADB.

#### Grievance Redress Mechanism

33. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that a safeguards grievance redress mechanism acceptable to ADB is established in accordance with the provisions of the EIA, EMP, RPs and EMDP at the PMO, within the timeframes specified in the relevant EIA, EMP, RPs and EMDP, to consider safeguards complaints.

#### Public Awareness

34. HPG and ETMAPG shall undertake, and shall cause the Project Implementing Agencies to undertake public awareness campaigns through information disclosure, education and consultation on the project and its benefits, including but not limited to information related to the EMP, RPs, EMDP, SAP and GAP.

#### Prohibited List of Investments

35. HPG and ETMAPG shall ensure, and shall cause the Project Implementing Agencies to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Governance and Anti-corruption

36. HPG, ETMAPG and the Project Implementing Agencies shall comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledges 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 all other government offices, organizations and entities involved in implementing the Project to cooperate, fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, HPG and ETMAPG shall, and shall cause the Project Implementing Agencies to ensure that (a) periodic inspections of the Project contractors' activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (c) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of HPG, ETMAPG and Project Implementing Agencies, PMO, PIUs, contractors, suppliers, consultants, and other service providers as they relate to the Project.

37. In furtherance of the principles of transparency, participation, accountability and zero-tolerance for corruption, ETMAPG shall develop and maintain relevant websites that describe the Project in order to provide the public with information on the Project including setting out (a) a summary of the audited financial statements of the Project; (b) the



Procurement Plan and tracking of procurement contract awards; (c) any proposed tariff increases and associated scheduled public hearings; (d) relevant laws and regulations; (e) job opportunities; and (f) information related to pro-poor subsidies or tariff life-lines. ETMAPG shall also periodically make such information available on radio and in newspapers.

Maintain Sole Ownership and Control

38. HPG and ETMAPG shall ensure that Enshi City Government and Lichuan City Government at all times wholly own and control the Project Implementing Agencies in Enshi City and Lichuan City, respectively, unless ADB otherwise agrees.