
LOAN NUMBER 3115-PRC

PROJECT AGREEMENT

(Yunnan Chuxiong Urban Environment Improvement Project)

between

ASIAN DEVELOPMENT BANK

and

YUNNAN PROVINCIAL GOVERNMENT

CHUXIONG YI AUTONOMOUS PREFECTURE GOVERNMENT

DATED 22 AUGUST 2014

PRC 45507

PROJECT AGREEMENT

PROJECT AGREEMENT dated 22 August 2014 between ASIAN DEVELOPMENT BANK ("ADB") of the one part, and YUNNAN PROVINCIAL GOVERNMENT ("YPG") and CHUXIONG YI AUTONOMOUS PREFECTURE GOVERNMENT ("CPG") of the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith between the People's Republic of China ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of one hundred fifty million Dollars (\$150,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available, through YPG, to CPG and that YPG and CPG agree to undertake certain obligations towards ADB set forth herein; and

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Particular Covenants

Section 2.01. (a) YPG and CPG 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, YPG and CPG 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 YPG, CPG and the Project Implementing Agencies, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. YPG and CPG 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, CPG 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, CPG 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. CPG 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. CPG 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 2.05. (a) CPG 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, CPG undertakes 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. CPG 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, YPG and CPG shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) YPG and CPG 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, YPG and CPG 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, YPG, CPG, the Project Implementing Agencies and the Loan.

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

(b) Without limiting the generality of the foregoing, CPG 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 6 months thereafter or such later date as ADB may agree for this purpose, CPG 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 YPG, CPG and the Project Implementing Agencies of their obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) YPG and CPG 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 and statement of expenditures) and a Management Letter; and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and Management Letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

(c) YPG and CPG 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 YPG, CPG and the Project Implementing Agencies where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such

discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of YPG, CPG and the Project Implementing Agencies, unless YPG, CPG and the Project Implementing Agencies shall otherwise agree.

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

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

(b) YPG and CPG shall, and shall cause the Project Implementing Agencies to, at all times conduct their 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) YPG and CPG shall, and shall cause the Project Implementing Agencies to, at all times operate and maintain their 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, YPG and CPG shall not, and shall cause the Project Implementing Agencies not to, 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, YPG and CPG 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 YPG and CPG of such date.

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

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

ARTICLE IV

Miscellaneous

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

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2534.

For YPG

Yunnan Provincial Finance Department
Foreign Cooperation Division
Wuhuashan District
Kunming Municipality
Yunnan Province, 650021
People's Republic of China

Facsimile Number:

(86 871) 6362 7508.

For CPG

No. 91 Huidong Street
Chuxiong Municipality
Yunnan Province, 675000
People's Republic of China

Facsimile Number:

(86 878) 311 2665.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement, by or on behalf of YPG may be taken or executed by its governor or vice governor and, by or on behalf of CPG may be taken or executed by its governor; or, in either case, by such other person or persons as they shall designate in writing notified to ADB.

(b) YPG and CPG 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

YUNNAN PROVINCIAL GOVERNMENT

By 
SUN XIANGYANG
Authorized Representative

CHUXIONG YI AUTONOMOUS
PREFECTURE GOVERNMENT

By 
SUN XIANGYANG
Authorized Representative

SCHEDULE

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

A. Implementation Arrangements

1. YPG and CPG 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 YPG, CPG and ADB. In the event of any discrepancy between the PAM and this Project Agreement, the provisions of this Project Agreement shall prevail.
2. CPG shall cause the Project Implementing Agencies and PIUs to ensure that all the Project implementation procedures agreed upon with ADB are followed, including environmental and social safeguard requirements. Prior to any disbursement of the Loan proceeds to the Project activities to be carried out by each of PIUs, the respective Project Implementing Agency shall enter into a Project Implementation Agreement with such PIU.

B. Safeguard

Environmental

3. CPG shall ensure, and cause the Project Implementing Agencies to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower 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) subsequently agreed between ADB and CPG. CPG shall cause the Project Implementing Agencies to incorporate such respective mitigation and monitoring measures into the design and bidding documents and construction contracts.
4. CPG shall ensure, and cause the Project Implementing Agencies to ensure, that (a) no artificial structures will be constructed to impound water restricting free flow of flood waters in the project rivers, and (b) no river sediment dredging is carried out unless a sediment management plan is developed, defining at a minimum sediment treatment, transport, disposal and reuse and shared with ADB, and disclosed to affected people by environmental safeguards. CPG shall cause the Project Implementing Agencies to ensure that spoil and dredged material generated in the course of implementation of the project is tested and disposed of in accordance with national and local laws and regulations, and that such disposal creates no significant risk of secondary pollution.
5. CPG shall cause Chuxiong Prefecture Water Resource Bureau to review and adjust the operating procedures of the Qingshanzui Reservoir to ensure that the Longchuan River receives a minimum flow at all times in accordance with the reservoir operating rule on minimum flow provision as defined in the reservoir EIA approved by the Ministry of Environmental Protection in 2005.

6. CPG shall cause the Project Implementing Agencies to implement the necessary noise mitigation measures along the Project roads in according to the requirements specified in the EMP and applicable national environmental protection regulations.

Involuntary Resettlement

7. CPG shall ensure, and cause the Project Implementing Agencies to ensure, that all land and all rights-of-way required for the Project are made available to the Works contractor in a manner and within time frames compliant with the RPs and the REMDP, 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 the REMDP, and any corrective or preventative actions (i) set forth in the Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and CPG.

8. Without limiting the application of the Involuntary Resettlement Safeguards, the RPs or the REMDP, CPG shall ensure, and cause the Project Implementing Agencies to ensure, that no physical or economic displacement takes place in connection with their respective part of the Project until:

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

Ethnic Minorities

9. CPG shall ensure, and 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 ethnic minorities, (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the REMDP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and CPG.

10. CPG shall implement, and cause the Project Implementing Agencies to implement, the REMDP whereby (a) benefits will target ethnic minorities in the Project areas in accordance with the SPS; (b) all Works contracts will specify requirements to comply with the REMDP and, as a priority, provide employment to ethnic minorities; and (c) adequate staff and resources will be dedicated to supervise and monitor the implementation of the REMDP, which will be reported to ADB on a semi-annual basis.

Human and Financial Resources to Implement Safeguard Requirements

11. CPG shall make available, and cause the Project Implementing Agencies to make available, necessary budgetary and human resources to fully implement the EMP, the RPs and the REMDP.

Safeguards-Related Provisions in Bidding Documents and Works Contracts

12. CPG shall ensure, and 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, the RPs and the REMDP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards, and the Indigenous Peoples Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report or (ii) subsequently agreed between ADB and CPG;
- (b) monitor relevant environmental impacts caused by the construction and installation activities and report to the supervising project management office of the Project Implementing Agencies;
- (c) make available a budget for all such environmental and social measures;
- (d) provide the Project Implementing Agencies with a written notice of any unanticipated environmental, or resettlement and social 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 REMDP;
- (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, 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

13. CPG shall do, or cause the Project Implementing Agencies to do, the following:

- (a) submit Safeguards Monitoring Reports to ADB:
 - (i) in respect of implementation of and compliance with Environmental Safeguards and the EMP, annually during construction and the implementation of the Project and the EMP until the issuance of ADB's Project completion report unless a longer period is agreed in the EMP; and
 - (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and Indigenous Peoples Safeguards and of the RPs and the REMDP, semi-annually during the implementation of the Project, the RPs and the REMDP until the issuance of ADB's

Project completion report unless a longer period is agreed in the RPs and the REMDP;

and disclose relevant information from such reports to respective affected people under Environmental Safeguards, Involuntary Resettlement Safeguards and 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 the REMDP, 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 date of award of Works contract, (i) update the EMP, if necessary in order to fully take into account the final detailed design, and submit to ADB for its concurrence; (ii) engage a qualified and experienced external environment expert acceptable to ADB, to verify information produced through the environment monitoring process, and to facilitate the carrying out of any verification activities; and (iii) contract licensed environmental monitoring agencies who conduct periodic environmental impact monitoring in accordance with the approved monitoring plan;
- (d) for social safeguards, engage an independent monitoring agency prior to commencement of land acquisition, acceptable to ADB which carries out monitoring and evaluation, including data disaggregated by gender and ethnicity where applicable; and
- (e) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, the RPs or the REMDP promptly after becoming aware of the breach.

Safeguards - Prohibited List of Investments

14. CPG shall ensure, and 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 Safeguards Policy Statement.

Safeguards Grievance Redress Mechanism

15. CPG shall ensure that separate safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the EIA, RPs and REMDP at its project management office, within the timeframes specified in the relevant EIA, RPs and REMDP, to consider safeguards complaints.

Applicability of ADB's Safeguard Policies

16. CPG shall ensure that the provisions of the EIA, EMP, RPs and REMDP as well as any requirements under the Safeguards Policy Statement also apply to the portion of the Project to be financed by the Project Implementing Agencies and commercial banks.

C. Other Social MattersGender and Social Action Plans

17. CPG shall cause the Project Implementing Agencies to (a) implement the Gender Action Plan including taking all reasonable and necessary steps to encourage women living in project areas to participate in the planning and implementation of the Project, targeting 50% or higher female participation in public awareness training for flood risk warning and preparedness plans, use of garbage bins and reducing, reusing, recycling waste; and road safety; and (b) monitor the Project's impacts on women during project implementation every 6 months and report thereon in two quarterly progress report per year.

18. CPG shall cause the Project Implementing Agencies to (a) implement the Social Action Plan, including a campaign on the prevention of HIV/AIDS and STIs, and (b) monitor its implementation every 6 months and report thereon in two quarterly progress reports per year.

Works Contracts

19. CPG shall ensure, and cause the Project Implementing Agencies to ensure, that the bidding documents for Works contracts include provisions to require the contractors to (a) prioritize employment of local people especially women and the poor; (b) provide equal pay for equal work; (c) provide the timely payment of wages; (d) maximize the use of local unskilled labor, as applicable; (e) comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment; and (f) not employ child labor. CPG shall further ensure and cause the Project Implementing Agencies to ensure that records of labor employment are properly maintained and tracked in the PPMS.

20. CPG shall ensure, and cause the Project Implementing Agencies to ensure, that the Works contractors will (a) implement an HIV/AIDS awareness and prevention training for all employees in collaboration with the relevant centers for disease control; (b) provide necessary measures to ensure the safety and health of their employees; (c) together with the local health bureaus, disseminate information on risks, hazards, impacts and prevention know-how on HIV/AIDS among their staff and workers on the construction sites and the local community through information disclosure, education and consultation; and (d) observe local customs concerning acceptable behavior toward the local population.

Public Awareness

21. CPG shall cause the Project Implementing Agencies to undertake public awareness campaigns on the Project and its benefits, including but not limited to information related to the EMP, the RPs, the REMDP, the Gender Action Plan and the Social Action Plan, to be conducted through information disclosure, education and consultation, in both local dialect and Mandarin.

D. Financial Matters and Operation and MaintenanceOnlending Agreements

22. YPG and CPG shall ensure that no disbursement under the Project is made to a particular Project Implementing Agency until the respective onlending agreement including

the terms and conditions as set forth in Section 2.01(a) of this Project Agreement shall have been in place.

Counterpart Funding, and Operation and Maintenance

23. CPG shall cause the Project Implementing Agencies to (a) provide counterpart funding in a timely manner, including any additional counterpart funding required for any shortfall of funds or cost overruns and (b) fully fund operation and maintenance of all Project facilities and to operate and maintain them in accordance with applicable engineering practices.

24. CPG shall cause the Project Implementing Agencies: (a) to prepare annual budgets for operation and maintenance of the project facilities and (b) to ensure that all works under the Project will be inspected, operated and maintained in accordance with prescribed standards, specifications and regulations and sound practices.

Financial Management

25. CPG shall, and shall cause the Project Implementing Agencies to, establish and maintain sound financial management systems in accordance with ADB's Financial Management and Analysis of Projects, including the establishment of separate project accounts (which may be maintained by their respective PIUs) and the maintenance of minimum balances to ensure smooth cash flow and the timely settlement of project construction liabilities and future debt servicing. Project funds (other than those to be paid directly by ADB or directly from the imprest account), including the Loan proceeds and counterpart funds, will be disbursed from the accounts of the Project Implementing Agencies or their PIUs, as applicable, to contractors, Consultants, suppliers and affected persons.

E. Engineering and Technical Matters

Design and Construction Quality and Management

26. Prior to the commencement of construction of any part of the Project, CPG shall ensure that the Project Implementing Agencies shall have (a) ensured that all the respective Project facilities are designed and constructed in accordance with the national engineering norm and technical standards of the Borrower and the specifications defined in the EMP; and (b) ensured that construction supervision, quality control, and contract management for such facilities shall be carried out in compliance with the laws and regulations of the Borrower.

Road and Storm Water Drainage

27. CPG shall cause the Project Implementing Agencies to cooperate with all relevant agencies to promote public transport and non-motorized transport and traffic safety provisions for all roads and bridges constructed under the Project. CPG shall cause the Project Implementing Agencies to consider in detailed engineering design to include appropriately the provision of public transport and non-motorized transport, adequate traffic and safety signage, median separators, energy efficient street lights, drainage for storm water reuse, traffic control and other necessary facilities.

28. CPG shall cause the Project Implementing Agencies to ensure that (a) new sewage pipeline network includes sewage interception facilities; and (b) untreated wastewater and storm water from (i) surrounding Fumin village in Chuxiong, (ii) Dabeichang, Xiaobeichang and Shangying villages in Lufeng, and (iii) Daxi and Xiaoxi villages in Wuding, is discharged into the sewage network and treated in the respective municipal wastewater facilities.

29. CPG shall cause the Lufeng and Wuding County Governments to ensure that an operation guideline and plans of the storm water retention pond management are formulated and appropriate human and financial resources are allocated to ensure that the storm water retention ponds are fully functional. Such storm water retention ponds shall have adequate safety measures including warning signs and barriers to be provided in appropriate locations.

30. CPG shall cause the Lufeng and Wuding County Governments to ensure that the storm water retention ponds financed under the project are connected to the urban drainage network constructed under the Project.

Flood Management

31. CPG shall cause the Chuxiong Municipal Government to exert their best efforts to ensure that the first section of the Chuxiong river rehabilitation component is implemented by local people's participation to the community-level reforestation with special attention paid to women, the poor and ethnic minority.

32. CPG shall cause the Lufeng County Government to ensure that (a) the concept of river ecological rehabilitation and public access to water front adopted for the Project is applied to the project to be financed by itself for the West river; (b) the intersections between such two projects are carefully designed so that their engineering standard and appearance become consistent with each other; and (c) design of public paths beside the river course is embedded under the river channel project financed by the Water Resources Bureau to ensure the continuity of the design.

Solid Waste

33. CPG shall cause the Project Implementing Agencies to ensure that all equipment purchased under the Project is properly installed, maintained and operated.

F. Change in Ownership

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

G. Governance and Anticorruption

35. YPG and CPG (a) acknowledge ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (b) agree to cooperate, and shall cause the Project Implementing Agencies and all other government offices, organizations and entities involving 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, YPG and CPG shall ensure that (a) periodic inspections of the Project contractors' activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (c) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of YPG, CPG, the Project Implementing Agencies, PIUs, contractors, suppliers, consultants, and other service providers as they relate to the Project.

36. CPG shall also undertake the following anticorruption actions: (a) involve full-time officials from the Discipline Investigation Bureau of Chuxiong Prefecture or the Project Implementing Agencies in the bidding, award and implementation of contracts; (b) introduce a dual-signing system, in which each contract winner signs an anticorruption contract with the employer when they sign and execute the contract; and (c) periodically inspect the contractors' withdrawals of funds and settlements.

37. In furtherance of the principles of transparency, participation, accountability and zero-tolerance for corruption, CPG shall disclose the Project information on the relevant websites that describe the Project in order to provide the public with information on the Project including (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; and (e) information related to pro-poor subsidies.