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LOAN NUMBER 3652-PRC

PROJECT AGREEMENT

(Guangxi Regional Cooperation and Integration Promotion Investment Program - Project 2)

between

ASIAN DEVELOPMENT BANK

and

GOVERNMENT OF GUANGXI ZHUANG AUTONOMOUS REGION

DATED 01 August 2018

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PRC 50050-004

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 01 August 2018 between ASIAN DEVELOPMENT BANK ("ADB") and GOVERNMENT OF GUANGXI ZHUANG AUTONOMOUS REGION ("GGZAR").

### WHEREAS

(A) by a loan agreement of even date herewith between People's Republic of China (the "Borrower") and ADB ("Loan Agreement"), ADB has agreed to make to the Borrower a loan of one hundred eighty million Dollars (\$180,000,000) ("Loan"), on the terms and conditions set forth in the Loan Agreement, but only on condition that the proceeds of the Loans be made available to GGZAR, and that GGZAR agrees to undertake certain obligations towards ADB as hereinafter set forth;

(B) GGZAR, 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. (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.

(b) In addition to the terms referred to in subsection (a) hereinabove, the following term, wherever used in this Project Agreement, unless the context otherwise requires, have the following meaning: the expression "GGZAR shall" means that GGZAR shall, cause the relevant PIEs to, or ensure that the relevant PIEs, undertake required responsibilities or perform specified obligations in this Project Agreement.

## ARTICLE II

### Particular Covenants

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

Section 2.02. GGZAR 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, GGZAR 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, GGZAR 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. GGZAR 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. GGZAR 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) GGZAR 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, GGZAR 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. GGZAR shall, and shall cause the Project Implementing Agencies to, maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and GGZAR shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) GGZAR 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 and GGZAR 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, GGZAR, the Project Implementing Agencies and the Loan.

Section 2.08. (a) GGZAR 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 GGZAR 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, GGZAR 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, GGZAR 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 GGZAR 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) GGZAR 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 of the Loan and compliance with the financial covenants of the Loan Agreement) 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 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) GGZAR 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 GGZAR and the Project Implementing Agencies where they relate to the Project with the auditors appointed by GGZAR and the Project Implementing Agencies 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 GGZAR and the Project Implementing Agencies, unless GGZAR shall otherwise agree.

Section 2.10. GGZAR 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.

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

Section 2.12. Except as ADB may otherwise agree, GGZAR 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, GGZAR 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 GGZAR 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 GGZAR

Government of Guangxi Zhuang Autonomous Region  
111-1 Minzu Avenue  
Nanning City  
Guangxi Zhuang Autonomous Region  
People's Republic of China

## Facsimile Number:

(86-771) 232-8850.

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

(b) GGZAR 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.

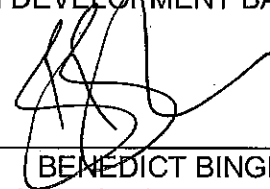
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or

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



BENEDICT BINGHAM  
Authorized Representative

GOVERNMENT OF GUANGXI ZHUANG  
AUTONOMOUS REGION

By



QIN RUPEI  
Authorized Representative

## SCHEDULE

### Execution of Project; Environmental, Social And Financial Matters

#### Implementation Arrangement

1. GGZAR shall, and shall cause the Project Implementing Agencies 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 GGZAR and ADB. In the event of any discrepancy between the PAM and the Project Agreement, the provisions of the Project Agreement shall prevail.

#### Environmental

2. GGZAR shall, and shall cause the Project Implementing Agencies to, ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, and that all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE and the EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) as subsequently agreed between ADB and GGZAR.

#### Resettlement

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

4. Without limiting the application of the Involuntary Resettlement Safeguards or the RPs, GGZAR 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 under the Involuntary Resettlement Safeguards as described in and in accordance with the related RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the related RP.

#### Ethnic Minorities

5. GGZAR shall ensure that the Project does not have any negative indigenous peoples impacts, within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, GGZAR shall take all steps required under the Indigenous



Peoples Planning Framework to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

6. GGZAR shall, and shall cause the Project Implementing Agencies to, make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards-Related Provisions in Bidding Documents and Works Contracts

7. GGZAR shall ensure that all bidding documents and Works contracts contain provisions that require contractors to:

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

Safeguards Monitoring and Reporting

8. GGZAR shall do the following:

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

and disclose relevant information from such reports to respective affected people under Environmental Safeguards and the Involuntary Resettlement Safeguards promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the RP, promptly inform ADB of the

occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and

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

#### Safeguards - Prohibited List of Investments

9. GGZAR shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the Safeguards Policy Statement.

#### Safeguards Grievance Redress Mechanism

10. GGZAR shall, and shall cause the Project Implementing Agencies to, ensure that separate safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the IEE, the EMP and the RP at the PMO, within the timeframes specified in the relevant IEE, the EMP and the RP, to consider safeguards complaints. The grievance redress mechanisms shall function to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism and/or action; and (d) prepare and make available to ADB upon request periodic reports to summarize (i) the number of complaints received and resolved, (ii) chosen actions, and (iii) final outcomes of the grievances and make these reports available to ADB upon request.

#### Labor Standards, Health and Safety

11. GGZAR shall ensure that the core labor standards and the applicable laws and regulations of the Borrower are complied with during Project implementation. GGZAR shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things (a) comply with the applicable labor law and regulations of the Borrower and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) do not restrict the workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; (f) do not delay any lawful payment to the workers; and (g) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the project and to members of the local communities surrounding the Project area, particularly women. GGZAR shall further ensure that this paragraph will be applicable to any workers regardless of their nationality and strictly monitor compliance with the requirements set forth in this paragraph and provide ADB with semiannual reports.

#### Social Development and Gender Action Plan

12. GGZAR shall cause the Project Implementing Agencies to (a) implement the SDGAP, including a campaign on the prevention of HIV/AIDS and STIs, and (b) monitor its implementation every quarter to include it in the quarterly progress reports and submit the

detailed annual implementation reports.

#### Counterpart Funding

13. GGZAR shall provide counterpart funding in a timely manner, including any additional counterpart funding required for any shortfall of funds or cost overruns. GGZAR shall ensure that O&M of all Project facilities is fully funded without any delay.

#### Operation and Maintenance

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

15. GGZAR shall ensure that all assigned O&M agencies are fully involved in the Project implementation, including professional staff from O&M agencies participating in Project design, the bidding, and implementation of contracts, and the acceptance of the completed Works.

#### Road design and safety

16. GGZAR shall ensure, and shall cause the Project Implementing Agencies to ensure that prior to procurement of the related Works, (a) the detailed design of the road, intersections, bus stops and pedestrian crossings is shared with ADB and the concerned PIE's external panel or a technical-transport and roads specialist to be engaged under the Project, as the case may be, conducts road safety audit on the detailed design of the roads; and (b) all Works are designed and constructed in accordance with national standards and specifications and the construction supervision, quality control, contract management, and completion inspection and acceptance procedures shall be in accordance with all applicable national laws and municipal and local regulations within the territory of the Borrower.

#### Audit of Financial Statement of PIE

17. GGZAR shall cause PIEs to (a) provide their annual financial statements prepared in accordance with their respective financial reporting frameworks acceptable to ADB; (b) have their 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 (c) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements in accordance with the PAM and such other information concerning these documents and the audit thereof as ADB will from time to time reasonably request.

18. GGZAR will cause PIEs to enable ADB, upon ADB's request, to discuss the financial statements referred to in paragraph 17 above, and their financial affairs where they relate to the Project with the auditors appointed pursuant to subparagraph 17(b) hereinabove, and will authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions will be conducted only in the presence of an authorized representative of the relevant PIE, unless such PIE will otherwise agree.

Financial Management of the Pingxiang Urban Construction and Investment Company

19. GGZAR shall cause the Pingxiang Urban Construction and Investment Company to implement the financial management road map to be developed and agreed under the Project 1 of this Investment Program.

Governance and Anticorruption

20. GGZAR (a) 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) agrees to cooperate, and will cause all other government offices, the Project Implementing Agencies, 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, GGZAR shall ensure, or cause to be ensured, 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 GGZAR, the Project Implementing Agencies, PIEs, contractors, suppliers, consultants, and other service providers as they relate to the Project.