
LOAN NUMBER _____ - PRC

LOAN AGREEMENT
(Ordinary Operations)

(Hunan Flood Management Sector Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED _____

LAL: PRC 37641

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated _____ between PEOPLE'S REPUBLIC OF CHINA (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by the Hunan Water Resources Department of the Hunan Provincial Government (hereinafter called PWRD), and for this purpose the Borrower will make available to the Hunan Provincial Government (hereinafter called HnPG) the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and HnPG;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein (said Ordinary Operations Loan Regulations being hereinafter called the Loan Regulations).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Component" means any one of Component A, B or C as set forth in Schedule 1 to this Loan Agreement;

(b) "EMDF" means the ethnic minority development framework designed for the Project;

(c) "EMDP" means an ethnic minority development plan for the Project, being more particularly referred to in paragraph 16 of the Schedule to the Project Agreement;

(d) "EMP" means an environment management plan required under the Project, being more particularly referred to in paragraph 17 of the Schedule to the Project Agreement;

(e) "IEE" means initial environmental examination;

(f) "LPMO" means a local project management office at municipal or county government level, being more particularly referred to in paragraph 5 of Schedule 5 to this Loan Agreement and paragraph 5 of the Schedule to the Project Agreement;

(g) "Local Government" means any municipal government or county government situated within the Project area and participating under the Project that will be responsible for implementing a subproject;

(h) "Onlending Agreement" means one of the agreements referred to in Section 3.01(b) of this Loan Agreement and "Onlending Agreements" means a number or all of the agreements referred to in Section 3.01(b) of this Loan Agreement;

(i) "PDRC" means the Provincial Development and Reform Committee of Hunan Province, and any successor thereto;

(j) "PFD" means the Provincial Finance Department of Hunan Province, and any successor thereto;

(k) "PPMO" means the Provincial Project Management Office, being more particularly described in paragraph 4 of Schedule 5 to this Loan Agreement;

(l) "PPMS" means project performance management system;

(m) "Procurement Plan" means the procurement plan for the Project, dated 17 May 2006, agreed between the Borrower and ADB, as may be amended from time to time in agreement between the Borrower and ADB, and included in the Report and Recommendations of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to People's Republic of China for the Hunan Flood Management Sector Project as an Appendix thereto;

(n) "Project Area" means those municipal or county cities in the Lishui, Xiangjiang, Yuanjiang, and Zishui river basins in Hunan Province that are to be included under the Project;

(o) "Project Executing Agency" means, for the purposes of, and within the meaning of, the Loan Regulations, HnPG which is responsible for overall implementation of the Project;

(p) "Project facilities " means the facilities to be upgraded, constructed and installed under the Project;

(q) "RF" means the resettlement framework designed for the Project;

(r) "RP" means a resettlement plan required under the Project, being more particularly referred to in paragraph 11 of the Schedule to the Project Agreement; and

(s) "subproject" means a specific subproject included, or proposed to be included, in the Project for financing out of the proceeds of the Loan in accordance with the procedures described in the Schedule to the Project Agreement.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred million dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a term of 26 years, including a grace period of 6 years, as provided in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations.

Section 2.03. (a) The Borrower shall pay a commitment charge at the rate of three-fourths of one percent (0.75%) per annum. Such charge shall accrue on amounts of the Loan (less amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of this Loan Agreement, as follows:

during the first twelve-month period, on \$30,000,000;
during the second twelve-month period, on \$90,000,000;
during the third twelve-month period, on \$170,000,000; and
thereafter, on the full amount of the Loan.

(b) If any amount of the Loan is cancelled, the amount of each portion of the Loan stated in paragraph (a) of this Section shall be reduced in the same proportion as the cancellation bears to the full amount of the Loan before such cancellation.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make available the proceeds of the Loan to HnPG upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for making available to HnPG the proceeds of the Loan shall include (i) interest at the same rate as the Loan; (ii) a repayment period including a grace period identical to those of the Loan; (iii) a commitment charge identical to that of the Loan; and (iv) HnPG bearing the foreign exchange and interest variation risks of such proceeds of the Loan relented thereto.

(b) The Borrower shall cause HnPG to onlend, directly or indirectly, the proceeds of the Loan to the Local Governments under Onlending Agreements upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms and conditions in each of the Onlending Agreements shall include (i) interest at the same rate as the Loan; (ii) a repayment period including a grace period identical to those of the Loan; (iii) a commitment charge identical to that of the Loan; and (iv) each Local Government bearing the foreign exchange and interest variation risks of such proceeds of the Loan onlent thereto.

(c) The Borrower shall cause HnPG, and shall ensure that HnPG causes the Local Governments, to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The goods and services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause HnPG, and shall ensure that HnPG causes the Local Governments, to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and flood management practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and in the Schedule to the Project Agreement.

Section 4.02. The Borrower shall, through HnPG, make available to the Local Governments, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable HnPG to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under this Loan Agreement, and shall cause HnPG and the Local Governments to exercise their rights under the Onlending Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) The Borrower, through HnPG, shall cause the Local Governments to ensure that the Onlending Agreements are not assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Sanlihe, Xicheng District
Beijing 100820
People's Republic of China

Cable Address:

22486 MFPRC CN

Facsimile Number:

(8610) 6855-1125

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines
Facsimile Numbers:

(632) 636-2444
(632) 636-2301

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

PEOPLE'S REPUBLIC OF CHINA

By _____
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
Authorized Representative

SCHEDULE 1

Description of the Project

1. The impact of the Project is to enhance sustainable and inclusive economic growth in flood-prone areas of Hunan Province. The outcome of the Project is to sustainably reduce flood risks in priority municipality and county cities along the middle and upper reaches of Hunan Province's four main river basins. The Project will construct, install and build capacity in the management, planning operation and maintenance of a range of structural and non-structural flood protection measures and flood warning systems. Lowered flood risks are expected to reduce private property losses in the Project area, including residences, businesses, and factories, increase investment in employment generating industrial and commercial growth; reduce loss of life, and reduce government expenditure on flood repairs and compensation.

2. The Project consists of three Components:

Component A: Non-Structural Flood Management Systems

The outputs for this Component will be operational flood warning and management systems for up to 35 municipal and county cities linked to the provincial flood warning platform. Activities will include:

- (i) establishing or upgrading hydrological stations in related subproject locations and linking them to the provincial data acquisition system;
- (ii) improving data management, flood forecasting and decision support systems for overall flood management in up to 35 subproject locations; and
- (iii) training staff in municipal and county cities to operate flood warning systems and plan for and manage flood emergencies.

Component B: Structural Flood Protection, Resettlement and Environmental Management

The outputs for this Component will be flood protection works in up to 35 subproject locations. Activities will include:

- (i) preparing feasibility study reports for each selected non-core subproject;
- (ii) preparing detailed engineering designs for each selected subproject;
- (iii) acquiring land where needed to accommodate flood protection civil works, preparing resettlement plans, and relocating, temporarily or permanently, affected persons;
- (iv) preparing and implementing environmental assessments and management plans for each subproject; and
- (v) constructing flood protection works for up to 35 subprojects, including rehabilitating existing dikes, constructing new dikes, upgrading and constructing sluice gates, upgrading and constructing pumping stations, and upgrading and constructing diversion channels.

Component C: Project Management and Capacity Building

The outputs for this Component will be operational and strengthened project management systems. Activities will include:

- (i) establishing provincial and local project management offices in 35 cities;
 - (ii) providing office equipment and vehicles to provincial and local project management offices;
 - (iii) training staff at provincial, and local government level to plan, design and implement structural and nonstructural flood works;
 - (iv) supervising and monitoring subproject implementation by provincial and local project management offices;
3. The Project is expected to be completed by 30 September 2012.

SCHEDULE 2

Amortization Schedule (Hunan Flood Management Sector Project)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Period</u>	<u>Date</u>	<u>Payment Due</u>	<u>Installment Share</u> <u>(expressed in Percentage)</u>
1	15	September 2012	0.83
2	15	March 2013	0.87
3	15	September 2013	0.91
4	15	March 2014	0.96
5	15	September 2014	1.01
6	15	March 2015	1.06
7	15	September 2015	1.11
8	15	March 2016	1.16
9	15	September 2016	1.22
10	15	March 2017	1.28
11	15	September 2017	1.35
12	15	March 2018	1.42
13	15	September 2018	1.49
14	15	March 2019	1.56
15	15	September 2019	1.64
16	15	March 2020	1.72
17	15	September 2020	1.81
18	15	March 2021	1.90
19	15	September 2021	1.99
20	15	March 2022	2.09
21	15	September 2022	2.20
22	15	March 2023	2.31
23	15	September 2023	2.42
24	15	March 2024	2.54
25	15	September 2024	2.67
26	15	March 2025	2.80
27	15	September 2025	2.94
28	15	March 2026	3.09
29	15	September 2026	3.25
30	15	March 2027	3.41
31	15	September 2027	3.58
32	15	March 2028	3.76

33	15	September	2028	3.94
34	15	March	2029	4.14
35	15	September	2029	4.35
36	15	March	2030	4.57
37	15	September	2030	4.79
38	15	March	2031	5.03
39	15	September	2031	5.29
40	15	March	2032	5.54
				<u>100.00</u>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be

repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. Paragraph 5 of this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category.

Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Percentages of ADB Financing

3. Except as ADB may otherwise agree, the items of the Categories listed in paragraph 5 of this Schedule shall be financed out of the proceeds of the Loan on the basis of the percentages set forth therein.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in paragraph 5 of this Schedule,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Withdrawals

5. Subject to the provisions of Section 3.01 of the Loan Agreement, and except as the Borrower and ADB may otherwise agree, the Loan proceeds shall be disbursed as follows:

- (i) Structural flood protection subprojects – up to \$185.4 million at a percentage agreed for each subproject between ADB and the Borrower. Structural flood protection civil works can be financed up to 56 percent of relevant eligible expenditures for

each subproject. Structural flood protection equipment can be financed up to 100 percent of relevant eligible expenditures for each subproject;

- (ii) non-structural flood management equipment – up to \$10.5 million at 100 percent of total eligible expenditures;
- (iii) project management equipment – up to \$0.8 million at 100 percent of total eligible expenditures;
- (iv) project management vehicles – up to \$2.2 million at 85 percent of total eligible expenditures;
- (v) capacity building: international training and study tours – up to \$0.9 million at 100 percent of total expenditures; and
- (vi) capacity building: domestic training and study tours – up to \$0.2 million at 25 percent of total expenditures.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish, immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB for expenditures under the Project. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed \$20 million or the estimated expenditures for the next six months, whichever is lower.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed \$100,000.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 21 August 2005, or a maximum of 12 months prior to the date of the signing of this Loan Agreement, whichever is later, in connection with civil works contracts for the 8 core subprojects, subject to a maximum of \$10,000,000.

Condition of Withdrawals from Loan Account

8. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the ultimate benefit of any Local Government until the following condition has been met: the Borrower shall have caused the PPMO and the PPMO shall have certified to ADB that the relevant Onlending Agreement, which shall

include the terms and conditions as referred to in Section 3.01(b) above, shall have been duly executed and delivered on behalf of the concerned Local Government and shall have become fully effective and binding upon the portions thereto in accordance with its terms.

SCHEDULE 4

Provisions on Procurement and Services of Consultants

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Guidelines (April 2006), as amended from time to time (hereinafter called the Procurement Guidelines), the Procurement Plan, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (April 2006), as amended from time to time (hereinafter called the Consultant Guidelines), the Procurement Plan, and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used in this Schedule to describe particular methods of procurement by the Borrower or review by ADB refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

4. **International Competitive Bidding.** Except as otherwise provided in paragraph 5 below or in the Procurement Plan, including any revision thereto following the Effective Date, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

5. The Borrower may provide a margin of preference in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods in comparing bids under international competitive bidding.

6. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping

C. Particular Methods of Procurement of Consultants' Services

7. Consultants' services shall be procured under contracts awarded on the basis of Consultants' Qualifications Selection.

D. ADB's Review of Procurement Decisions

8. The Procurement Plan shall set forth those contracts which shall be subject to ADB's Post Review. All other contracts shall be subject to Prior Review by ADB.

E. Procurement Plan

9. The Borrower shall, through HnPG, update the Procurement Plan annually or as needed throughout the implementation of the Project. The Borrower shall, through HnPG, implement the Procurement Plan in the manner in which it has been approved by ADB.

F. Industrial or Intellectual Property Rights

10. The Borrower shall ensure that all ADB-financed goods and works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

11. The Borrower shall ensure that all ADB-financed contracts for the procurement of goods and works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in paragraph 10 above.

12. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 5

Execution of the Project; Counterpart Funds; Mid-term Review

Project Management

Project Executing Agency

1. HnPG shall be the Project Executing Agency and as such shall be responsible for overall implementation of the Project.

Project Implementing Agencies

2. Each Local Government participating in the Project shall bear immediate responsibility for implementing its particular subproject/s.

Project Leading Group

3. The Project leading group established by HnPG to oversee Project preparation shall continue to meet semi-annually to oversee Project implementation. The Project leading group shall be headed by a Vice Governor of Hunan Province.

Provincial Project Management Office

4. The PPMO shall operate from the PWRD office in Changsha and shall have day-to-day responsibility for Project implementation and primary responsibility for coordinating and directing subproject implementation. The PPMO shall include representatives from the three main line agencies responsible for the Project – PDRC, PFD, and PWRD. Other agencies and institutes shall be represented as required. The PPMO shall also be responsible for directing Project preparatory activities, assisting the LPMOs to plan and manage their subproject works, setting up and managing finances, planning, managing and monitoring the resettlement and environmental management activities, and establishing project monitoring systems. The PPMO shall coordinate and manage reporting and communication with ADB.

Local Project Management Offices

5. Each participating Local Government shall set up a local project leading group and a LPMO to coordinate aspects of Project preparation and implementation in their respective jurisdictions.

Counterpart Funds

6. Without limiting the generality of Section 4.02 above, the Borrower, through HnPG and the Local Governments, shall ensure that the counterpart financing necessary for the Project and for covering any Project cost overrun is provided and disbursed in a timely manner to enable completion of all Project activities.

Project Review

7. The Borrower and HnPG in conjunction with ADB shall undertake a mid-term review three years after the commencement of Project Implementation. The review will include a detailed evaluation of scope, implementation arrangements, environmental management, resettlement, achievement of scheduled targets, and progress with capacity building measures.