



LOAN NUMBER 8423-CN

Project Agreement

(Qinghai Xining Water Environment Management Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

QINGHAI PROVINCE

Dated *November 28*, 2014

LOAN NUMBER 8423-CN

PROJECT AGREEMENT

Agreement dated November 14 2014, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and QINGHAI PROVINCE ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity, through Xining Municipality, shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity, through Xining Municipality, shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity's Representative is its Governor or a Vice-Governor, or such other person or persons as said Governor or Vice-Governor shall designate in writing, and the Project Implementing Entity shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.
- 3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)

3.03. The Project Implementing Entity's Address is:

No. 50 Beichan Road
Chengbei District, Xining Municipality
Qinghai Province, 810028
The People's Republic of China

Facsimile:

(86) 971-6273136

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 

Authorized Representative

Name: Bart Hofman

Title: Country Director China

QINGHAI PROVINCE

By 

Authorized Representative

Name: Cheng Lihua

Title: Vice Governor

SCHEDULE

Execution of the Project

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. In order to ensure the proper carrying out of the Project, the Project Implementing Entity, through Xining Municipality, shall maintain, throughout the period of implementation of the Project the following entities with composition, powers, functions, funds, staffing, facilities and other resources acceptable to the Bank:
 - (a) The Project Leading Group, to provide leadership, policy guidance and coordination on the preparation and implementation of the Project.
 - (b) The Project Expert Panel, to provide technical assistance to the PMO, XMDDCC and XMHIMC on Project preparation, implementation and review.
 - (c) The Project Management Office, responsible for the overall implementation of the Project, including procurement, financial management, supervision, and monitoring and evaluation on the progress of the Project.
2. For the purpose of assisting the Project Implementing Entity with the carrying out of Project activities under Parts A.1(a) and D.1 of the Project, the Project Implementing Entity, through Xining Municipality, shall enter into an agreement (the "Subsidiary Agreement - XMDDCC") with XMDDCC, under terms and conditions acceptable to the Bank, which shall include those set forth in Annex A to this Schedule.
3. For the purpose of assisting the Project Implementing Entity with the carrying out of Project activities under Parts A.1(b), B and C of the Project, the Project Implementing Entity, through Xining Municipality, shall enter into an agreement (the "Subsidiary Agreement - XMHIMC") with XMHIMC, under terms and conditions acceptable to the Bank, which shall include those set forth in Annex A to this Schedule.
4. The Project Implementing Entity, through Xining Municipality, shall exercise its rights under the Subsidiary Agreement - XMDDCC and the Subsidiary Agreement - XMHIMC in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Subsidiary Agreements referred to herein or any provision thereof.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. In carrying out the Project, the Project Implementing Entity, through Xining Municipality shall, and shall cause XMDDCC and XMHIMC, as applicable, to:
 - (a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof;
 - (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the RAP and in a manner satisfactory to the Bank; and
 - (c) whenever required in terms of the RPF, proceed to have an additional RAP or RAPs: (i) prepared in form and substance satisfactory to the Bank; (ii) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; (iii) thereafter, adopted and publicly disclosed; and (iv) thereafter, to implement, or cause to be implemented, such additional RAP or RAPs in accordance with their terms and in a manner acceptable to the Bank.
2. In carrying out the Project, the Project Implementing Entity, through Xining Municipality shall, whenever required in terms of the EMDPF, proceed to have an EMDP or EMDPs:
 - (a) prepared in form and substance satisfactory to the Bank; (b) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; (c) thereafter, adopted and publicly disclosed; and (d) thereafter, to implement, or cause to be implemented, such additional EMDP or EMDPs in accordance with their terms and in a manner acceptable to the Bank.
3. The Project Implementing Entity, through Xining Municipality shall, and shall cause XMDDCC and XMHIMC to, implement, as applicable, the Safeguards Instruments in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity, through Xining Municipality, shall ensure that each contract for works financed with the proceeds of the Loan shall include the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the ESMP.
4. The Project Implementing Entity, through Xining Municipality, shall not, and shall cause XMDDCC and XMHIMC not to amend, suspend, fail to implement or waive the Safeguards Instruments, or any provision thereof, without the prior written concurrence of the Bank.

5. The Project Implementing Entity, through Xining Municipality shall, and shall cause XMDDCC and XMHIMC to, maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguards Instruments.
6. Without limitation to the provisions of paragraphs C.1 through C.5 of this Section I or the provisions of paragraph A.1 of Section II below, the Project Implementing Entity, through Xining Municipality, shall, and shall cause XMDDCC and XMHIMC to, take all measures necessary on their part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
 - (a) measures taken in furtherance thereof;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation thereof; and
 - (c) remedial measures taken or required to be taken to address such conditions.
7. In the event of any inconsistency between the provisions of the Safeguards Instruments and the provisions of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity, through Xining Municipality, shall, and shall cause XMDDCC and XMHIMC to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth in the Results Framework. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank and the Borrower not later than sixty (60) days after the end of the period covered by such report.
2. Without limitation to the provisions of paragraph A.1 above, the Project Implementing Entity shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank no later than March 2017, a consolidated mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and to further the objectives thereof.
3. The Project Implementing Entity shall provide to the Borrower, not later than three months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity, through Xining Municipality, shall, and shall cause XMDDCC and XMHIMC to, maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. Without limitation to the provisions of Section II.A hereof, the Project Implementing Entity, through Xining Municipality, shall prepare and furnish to the Bank, not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity, through Xining Municipality, shall have, and shall cause XMDDCC and XMHIMC to have, its financial statements referred to above audited by independent auditors, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

**ANNEX A
to the
SCHEDULE**

**Principal Terms and Conditions of the
Subsidiary Agreements (XMDDCC and XMHIMC)**

For purposes of Sections I.A.2 and I.A.3 of the Schedule to this Agreement, the Subsidiary Agreements to be entered into by the Project Implementing Entity, through Xining Municipality, and XMDDCC and XMHIMC, respectively, shall reflect, *inter alia*, the following terms and conditions:

1. For the purpose of assisting the Project Implementing Entity with the carrying out of the Project, the Project Implementing Entity, through Xining Municipality, shall make available to XMDDCC and XMHIMC a portion of the proceeds of the Loan from time to time, under terms and conditions acceptable to the Bank.
2. The Project Implementing Entity, through Xining Municipality, shall have the right to suspend or terminate the right of XMDDCC and XMHIMC to use and/or receive the proceeds of the Loan, allocated from time to time to the Project, upon failure by XMDDCC or XMHIMC to perform any of its obligations under their respective Subsidiary Agreement.
3. Each of XMDDCC and XMHIMC shall, respectively, undertake to:
 - (a) assist the Project Implementing Entity, through Xining Municipality, in the carrying out of the Project with due diligence and efficiency and in accordance with appropriate management, financial and engineering practices, and social and environmental standards, acceptable to the Bank, including the Anti-Corruption Guidelines, and to provide, promptly as needed, the funds, facilities and other resources required for this purpose;
 - (b) maintain, throughout Project implementation, staff in adequate numbers and with terms of reference and qualifications acceptable to the Bank, to be responsible for implementing the Project; and
 - (c) without limitation to the foregoing, to take all measures necessary to ensure that the Project be implemented, as applicable, in accordance with the Safeguards Instruments.
4. Each of XMDDCC and XMHIMC shall, respectively, undertake to procure the works, goods and services to be financed out of the proceeds of the Loan, allocated from time to time to the Project, in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and to utilize such works, goods and services exclusively in the carrying out of the Project.

5. Each of XMDDCC and XMHIMC shall, respectively, undertake to enable the Bank and the Project Implementing Entity, through Xining Municipality, to inspect such sites and works included in the Project, the operation thereof, and any relevant records and documents as the Bank and/or the Project Implementing Entity, through Xining Municipality, shall deem necessary.
6. Each of XMDDCC and XMHIMC shall undertake, throughout Project implementation, to:
 - (a) maintain records and accounts adequate to reflect their operations and financial condition in accordance with sound accounting practices;
 - (b) have the Project financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (c) furnish to the Bank and the Project Implementing Entity, through Xining Municipality, as soon as available, but in any case not later than six (6) months after the end of each such year: (i) certified copies of the Project financial statements for such year as so audited; (ii) an opinion on such statements by the auditors referred to in paragraph 6(b) above, in such scope and detail as the Bank and/or the Project Implementing Entity, through Xining Municipality, shall have reasonably requested; and (iii) all such other information concerning said records and financial statements, as well as the audit thereof, as the Bank and/or the Project Implementing Entity, through Xining Municipality, shall reasonably request;
 - (d) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed between the Project Implementing Entity and the Bank, the carrying out of the Project and the achievement of the objective thereof; and
 - (e) to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods.