

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8456-CN

Project Agreement

(Chongqing Small Towns Water Environment Management Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

CHONGQING MUNICIPALITY

Dated *March 5*, 2015

PROJECT AGREEMENT

Agreement dated March 5, 2015, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and CHONGQING MUNICIPALITY ("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 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 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 Mayor or Vice Mayor.
- 3.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC20433
United States of America

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

3.03. The Project Implementing Entity's Address is:

Chongqing Municipal Project Management Office
of the World Bank's Capital Utilization
14 Floor Sun of Asia Mansion,
248 Renmin Road, Chongqing, 40015
People's Republic of China

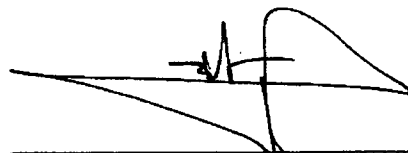
Facsimile:

86-23-63877822

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



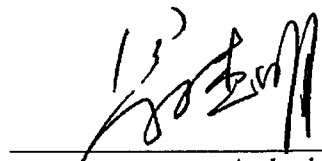
Authorized Representative

Name: Bent Hofmann

Title: Country Director, China

CHONGQING MUNICIPALITY

By



Authorized Representative

Name: Weng Jieping

Title: Executive Vice Mayor

SCHEDULE

Execution of the Project

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain, and cause to be maintained, for purposes of carrying out the Project, the following entities, with membership, terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:
 - (a) The Chongqing 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.
 - (b) The County PMOs, to provide leadership, policy guidance and coordination on the preparation and implementation of the County's Respective Part of the Project.
2. For the purpose of assisting the Project Implementing Entity with the carrying out of Parts 1 through 4 of the Project, the Project Implementing Entity, through the respective Project County, shall enter into an agreement (the "Subsidiary Agreement") with the respective County Project Implementing Unit ("County PIU"), under terms and conditions acceptable to the Bank, which shall include those set forth in the Annex to this Schedule.
3. The Project Implementing Entity, through the respective Project County, shall exercise its rights under the Subsidiary Agreements 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 shall, and shall cause each County PIU, 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 acceptable 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. The Project Implementing Entity shall, and shall cause each County PIU 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, 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 EMP.
- 3. The Project Implementing Entity shall not, and shall cause each County PIU not to, amend, suspend, fail to implement or waive the Safeguards Instruments, or any provision thereof, without the prior written concurrence of the Bank.
- 4. The Project Implementing Entity shall, and shall cause each County PIU 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.
- 5. The Project Implementing Entity shall, and shall cause each Project County to:
 - (a) by no later than July 1, 2015, engage, and thereafter maintain throughout Project implementation, one dam safety expert for the Project having experience and qualifications in the relevant technical fields, acceptable to the Bank, and under terms of reference, including a time-table and adequate budget for its activities, satisfactory to the Bank, to, *inter alia*: (i) inspect and evaluate the status of the Dams, their appurtenances, and their performance history; (ii) review and evaluate the Dams' operation and maintenance procedures; (iii) review the qualifications of the designer for the overflow weirs to be rehabilitated under the Project, under terms of reference satisfactory to the Bank; and (iv) provide a written report to the relevant Project County and the Bank of findings and recommendations for any remedial work or safety measures necessary to upgrade said Dams to an acceptable standard of safety;
 - (b) provide all support and cooperation to the dam safety expert referred to in subparagraph 5(a) above, necessary to carry out the functions set forth in said expert's terms of reference; and

- (c) furnish to the Bank by March 15 of each calendar year, beginning on March 15, 2016, the report referred in sub-paragraph 5(a) above, including an action plan to address the findings and recommendations thereof.
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, shall, and shall cause County PIU 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 of the Safeguard Instruments;
 - (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.

D. Financial Arrangements

1. Chongqing shall allocate to each Project County a portion of the Loan under arrangements satisfactory to the Bank, which shall include, without limitation, the following principal terms:
- (a) Chongqing shall make available the principal amount, which has been allocated to each Project County, in Dollars (on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of the Project (in whole or part) to be implemented within the jurisdiction of the Project County.
 - (b) Chongqing shall recover such principal amount so made available (including the fee paid pursuant to Section 2.03 of the Loan Agreement and any premium for Interest Rate Caps or Interest Rate Collars paid pursuant to Section 2.08(c) of the Loan Agreement and Section 4.05(c) of the General Conditions) over a period of thirty (30) years, inclusive of a grace period of six (6) years.
 - (c) Chongqing shall charge: (i) interest on such principal amount, withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to Section 2.05 of the Loan Agreement; and (ii) a Commitment Charge equal to one quarter of one percent (0.25%) per annum on the unwithdrawn principal amount allocated to each Project County.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity shall, and shall cause each County PIU 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 June 30, 2017, a mid-term review report for the Project, summarizing the result 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 the achievement of the objectives thereof during the period following such data.
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 shall, and shall cause each County PIU 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 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 shall have, and shall cause each County PIU 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 (6) 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
to the
SCHEDULE**

**Principal Terms and Conditions of the
Subsidiary Agreements**

For purposes of Section I.A.2 of the Schedule to this Agreement, the Subsidiary Agreements to be entered into by the Project Implementing Entity, through each Project County, and the respective County PIU 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 each Project County, shall make available to the respective County PIU the proceeds of the Loan allocated to the County's Respective Part of the Project from time to time, under terms and conditions acceptable to the Bank.
2. The Project Implementing Entity, through each Project County, shall have the right to suspend or terminate the right of the respective County PIU to use and/or receive the proceeds of the Loan, allocated from time to time to the Project, upon failure by the County PIU to perform any of its obligations under the Subsidiary Agreement.
3. Each County PIU shall undertake to:
 - (a) assist the Project Implementing Entity, through the respective Project County, in the carrying out of the County's Respective Part 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 Safeguard Instruments, the Procurement and Consultant Guidelines, the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, and to provide, promptly as needed, the funds, facilities and other resources required for this purpose;
 - (b) maintain, throughout County's Respective Part of the 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, take all measures necessary to ensure that the County's Respective Part of the Project be implemented, as applicable, in accordance with the Safeguards Instruments.
4. Each County PIU shall 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 County's Respective Part of the Project, in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such works, goods and services exclusively in the carrying out of the Project.

5. Each County PIU shall undertake to enable the Bank and the Project Implementing Entity, through the respective Project County, 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 the respective Project County, shall deem necessary.
6. Each County PIU shall undertake, throughout Project implementation, to:
 - (a) maintain records and accounts adequate to reflect its 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 the respective Project County, 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 and accounts 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 the respective Project County, shall have reasonably requested; and (iii) all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank and/or the Project Implementing Entity, through the respective Project County, 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.