

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8472-CN

Project Agreement

**(Sichuan Chongqing Cooperation: Guang'an Demonstration Area
Infrastructure Development Project)**

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

SICHUAN PROVINCE

Dated *April 30* , 2015

PROJECT AGREEMENT

AGREEMENT dated April 30, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and SICHUAN PROVINCE ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of the 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 the Project 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 objectives of the Project. To this end, the Project Implementing Entity, through Guang'an Prefecture, shall: (a) carry out, and cause the Project Participants and Project Companies to carry out, the Project in accordance with the provisions of Article V of the General Conditions; and (b) provide, or cause to be provided, 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 Guang'an Prefecture, shall carry out, and ensure that the Project is carried out, 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 a 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, N.W.
Washington, D.C. 20433
United States of America

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

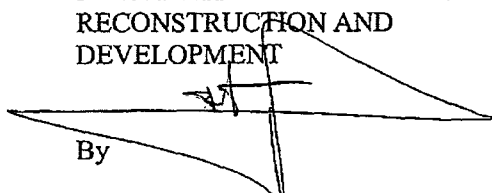
3.03. The Project Implementing Entity's Address is:

Chengdu Municipality
Jinjiang District
Nanxin Street #37
Sichuan Province
People's Republic of China

Facsimile: (86) 028 - 86669250

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 Bert Hofman

Title Country Director, China

SICHUAN PROVINCE

By 

Authorized Representative

Name Wang Ning

Title Executive Vice Governor

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Project Management

1. The Project Implementing Entity shall maintain, and cause to be maintained, for purposes of carrying out the Project, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:
 - (a) The Project Leading Group, to provide leadership, policy guidance and coordination in the preparation and implementation of the Project.
 - (b) The Guang'an PMO, responsible for the overall implementation of the Project, including procurement, financial management, supervision, and monitoring and evaluation of the progress of the Project.
 - (c) The Linshui and Qianfeng PMOs, which shall be responsible for: (i) implementing each Project Participants' Respective Part of the Project; (ii) ensuring implementation by the Respective Project Company of their Respective Part of the Project; and (iii) coordinating overall Project preparation and management.
 - (d) The Linshui County Vocational High School, responsible for the implementation of Part 2(d) of the Project.
2. Throughout the implementation of the Project, the Project Implementing Entity shall carry out the Project, and cause the Project Participants and Project Companies to carry out the Project in accordance with the PIP in a timely and efficient manner satisfactory to the Bank. The Project Implementing Entity shall not, and shall cause the Project Participants and the Project Companies not to, amend, suspend, or waive said PIP or any provision or schedule thereof, without the prior written concurrence of the Bank. In the event of any inconsistency between the terms of the PIP and those of this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

B. Anti-Corruption

The Project Implementing Entity shall carry out, and cause the Project Participants and Project Companies to carry out, the Project in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity, through Guang'an Prefecture shall, and shall cause the Project Participants and the Project Companies 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; and
 - (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 in a manner satisfactory to the Bank.
2. The Project Implementing Entity, through Guang'an Prefecture shall, and shall cause the Project Participants and Project Companies to, implement the Safeguards Instruments in a manner and substance satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity shall, and shall cause the Project Participants and Project Companies to, ensure:
 - (a) 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 EMPs; and
 - (b) that the Project is implemented in accordance with sound environmental practices and standards, and where applicable, shall avoid or mitigate against adverse impact on physical cultural resources.
3. The Project Implementing Entity, through Guang'an Prefecture shall not, and shall cause the Project Participants and Project Companies 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, through Guang'an Prefecture shall, and shall cause the Project Participants and Project Companies 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, including measures for avoidance of, or mitigation against, adverse impact on physical cultural resources, and the achievement of the objectives of

said instruments, including the engagement of experienced and qualified independent monitoring consultants acceptable to the Bank.

5. Without limitation to the provisions of paragraphs C.1 through C.4 of this Section I or the provisions of paragraph A.1 of Section II below, the Project Implementing Entity, through Guang'an Prefecture shall, and shall cause each of the Project Participants and Project Companies to, take all measures necessary on its 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.
6. 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.
7. The Project Implementing Entity, through Guang'an Prefecture, shall cause the Project Participants to conduct, by no later than December 31, 2017, the second phase assessments under Part 1(a) of the Project, under terms of reference acceptable to the Bank, of the cumulative strategic environmental and social impact of the overall urban and industrial growth of their respective territorial areas, and prepare, by no later than December 31, 2018, an action plan acceptable to the Bank for the implementation of said assessments.

D. Financial Arrangements

1. The Project Implementing Entity, through Guang'an Prefecture, shall allocate to each Project Participant a portion of the proceeds of the Loan under arrangements satisfactory to the Bank, which shall include, without limitation, the following principal terms:
 - (a) The Project Implementing Entity shall make available the principal amount allocated to each Project Participant 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 Participant's Respective Part of the Project.

- (b) The Project Implementing Entity 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 five (5) years.
- (c) The Project Implementing Entity shall charge 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.

E. Subsidiary Agreements

- 1. The Project Implementing Entity, through each of the Project Participants shall:
 - (a) make available to each of the Project Participant's Respective Project Company the proceeds of the Loan, which were allocated to them pursuant to Section I.D.1 of this Schedule; and
 - (b) enter into an agreement (the "Subsidiary Agreement") with each of the Project Participants' Respective Project Company for purposes of carrying out said Project Participant's Respective Part of the Project, under terms and conditions acceptable to the Bank, which shall include those set forth in the Annex A to this Schedule.
- 2. The Project Implementing Entity, through each of the Project Participants, shall:
 - (a) ensure that each of the Project Participants' Respective Project Company: (i) performs, in accordance with the provisions of the Subsidiary Agreement to which said Project Company is a party, all of the obligations of said Project Company therein set forth; (ii) takes or causes to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Project Company to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance; and
 - (b) exercise its rights under the Subsidiary Agreement to which said Project Participant is a party 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 Agreement to which said Project Participant is a party or any provision thereof.

Section II. Project Monitoring, Reporting, and Evaluation

A. Project Reports

1. The Project Implementing Entity, through Guang'an Prefecture, shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project 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 Project Implementation Plan. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by no later than sixty (60) days after the end of such period.

2. Mid-term Review

The Recipient shall: (a) not later than December 31, 2017 (or such other date as the Bank may agree), carry out a mid-term review of the Project and prepare and furnish to the Bank a mid-term report, in such detail as the Bank shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objective during the period following such date; and (b) review with the Bank such mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Bank's views on the matter.

3. The Project Implementing Entity, through Guang'an Prefecture, 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 Guang'an Prefecture shall, and shall cause the Project Participants and Project Companies 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 Guang'an Prefecture shall prepare, and shall cause

the Project Participants and Project Companies to 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 Guang'an Prefecture shall have, and shall cause the Project Participants and Project Companies 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 (1) 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 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.

Section IV. Other Undertakings

A. Financial and Operational Sustainability

1. Except as the Bank shall otherwise agree, the Project Implementing Entity, through Linshui County, shall cause LCYIDC to generate, with respect to the Linshui County Number 3 WWTP, for each of the Fiscal Years starting 2018, total revenues equivalent to not less than its total operating expenses, excluding depreciation.
2.
 - (a) The Project Implementing Entity, through Linshui County shall, before October 31 in each of the Fiscal Years starting 2018, furnish to the Bank a review on the basis of the LCYIDC's forecasts satisfactory to the Bank, on how the Linshui County Number 3 WWTP would meet the requirements set forth in Section IV.A.1 above in respect of the following Fiscal Year.
 - (b) If any of the reviews referred to in the preceding paragraph shows that LCYIDC would not meet the requirements of Section IV.A.1 above for the Fiscal Years covered by such review, the Project Implementing Entity, through Linshui County, shall promptly take, and cause LCYIDC to take, all necessary measures in order to meet such requirements.

3. For the purposes of this Section IV.A:
 - (a) The term "total revenues" means the sum of total operating revenues and net non-operating income.
 - (b) The term "total operating revenues" means revenues from all sources related to operations.
 - (c) The term "net non-operating income" means the difference between:
 - (i) revenues from all sources other than those related to operations, including subsidies; and
 - (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (a) above.
 - (d) The term "total operating expenses, excluding depreciation" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes.

B. Project Management

1. The Project Implementing Entity, through Guang'an Prefecture, shall, by no later than September 30, 2015, employ under terms of reference satisfactory to the Bank, an independent environmental monitoring consultant, with experience and qualifications acceptable to the Bank, to assist the Project Participants in ensuring compliance with the Safeguards Instruments during Project implementation.
2. By no later than October 31, 2017, the Project Implementing Entity, through Linshui County, shall have entered into a contract for the operation and maintenance, under terms and conditions acceptable to the Bank, of the Linshui County Number 3 WWTP.
3. By no later than December 31, 2016, the Project Implementing Entity, through Linshui County, shall have entered into a contract for the operation and maintenance of the Linshui County Number 2 WWTP.
4. By no later than September 30, 2015, the Project Implementing Entity, through Qianfeng District, shall have entered into a contract for the operation and maintenance of the Qianfeng District Western Cowboy WWTP.
5. By no later than December 31, 2015, the Project Implementing Entity, through Guang'an Prefecture, shall have:

- (a) employed a project management consulting firm, with experience and qualifications acceptable to the Bank, to assist among other matters, in the review of bidding documents, including technical specifications, bills of quantities, the design for all civil works, contract management, and coordination activities; and
- (b) employed a project engineering consulting firm, with experience and qualifications acceptable to the Bank to, among other matters, review technical designs and construction drawings, and provide support to the Project Participants and Project Companies in construction supervision.

**ANNEX A
to
SCHEDULE**

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

For the purposes of Section I.E.1 of the Schedule to this Agreement, the Subsidiary Agreement to be entered into by each Project Participant with its Respective Project Company shall reflect, *inter alia*, the following terms and conditions:

1. Each of LCYIDC and QDXIC shall undertake to:
 - (a) carry out their Respective Parts of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices and social and environmental standards acceptable to the Bank (including in accordance with the provisions of the Project Implementation Plan and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower) and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and
 - (b) without limitation on the foregoing, take all measures necessary to ensure that their Respective Parts of the Project be implemented in accordance with the Safeguards Instruments.
2. Each of LCYIDC and QDXIC shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the Loan in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of their Respective Parts of the Project.
3. Each of LCYIDC and QDXIC shall undertake to enable the Bank, the Borrower and the Project Implementing Entity to inspect such goods and the sites and works included in their Respective Parts of the Project, the operation thereof, and any relevant records and documents.
4. Each of LCYIDC and QDXIC shall undertake:
 - (a) 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;

- (b) to properly operate and maintain all facilities relevant to their Respective Parts of the Project and, when needed, promptly make repairs and renewals of such facilities; and
- (c) to maintain, throughout Project implementation, staff in adequate numbers and with terms of reference and qualifications acceptable to the Bank, to be responsible for implementing their Respective Parts of the Project.

5. Each of LCYIDC and QDXIC shall undertake:

- (a) to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition;
- (b) to have their financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (c) to furnish to the Bank as soon as available but in any case not later than six (6) months after the end of each Fiscal Year: (i) certified copies of said financial statements, as the case may be, for such year as so audited pursuant to sub-paragraph (b) of this paragraph; and (ii) an opinion on such statements by said auditors in such scope and detail as the Bank shall have reasonably requested;
- (d) to prepare and furnish to the Bank, the Borrower and the Project Implementing Entity, all such other information concerning said financial statements, as well as the audit thereof, as the Bank, the Borrower and/or the Project Implementing Entity shall reasonably request;
- (e) to maintain policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in the PIP, the carrying out of their Respective Parts of the Project and the achievement of the objectives thereof; and
- (f) to prepare, under terms of reference satisfactory to the Bank, and furnish to the project Implementing Entity for its review, consolidation in the Project Reports, and submission to the Bank, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (e) of this Section 5, on the progress achieved in the carrying out of their Respective Parts of the Project during the period preceding the date of each such report.

6. Each Project Participant shall have the right to suspend or terminate the right of its Respective Project Company to use the proceeds of the Loan, made available under the relevant Subsidiary Agreement, upon failure by such Respective Project Company to perform any of its obligations under said agreement.