

**OFFICIAL
DOCUMENTS**

LOAN NUMBER 8425-CN

Project Agreement

(Shaanxi Small Towns Infrastructure Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

SHAANXI PROVINCE

Dated *November 4, 2014*

PROJECT AGREEMENT

AGREEMENT dated *November 4*, 2014 entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and SHAANXI 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 Appendix 1 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 objective of the Project. To this end, the Project Implementing Entity shall carry out, and cause the Project Counties/Districts to 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, and shall cause the Project Counties/Districts to, 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, N.W.
Washington, D.C. 20433
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:

Xincheng Compound
Xi'an Municipality 710006
Shaanxi Province
The People's Republic of China

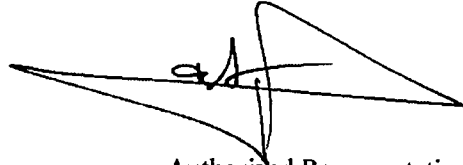
Facsimile:

(86) 2987291379

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



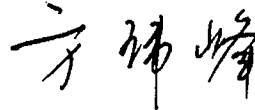
Authorized Representative

Name: Bert Hofman

Title: Country Director, China

SHAANXI PROVINCE

By



Authorized Representative

Name: Fang Weifeng

Title: Director

Shaanxi Provincial Development
and Reform Commission

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 entities, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:
 - (a) the Provincial Leading Group, comprising all relevant agencies at the Provincial level, which shall be responsible for liaising with the related central government agencies concerning the Project and providing overall policy guidance;
 - (b) the Provincial Project Management Office, which shall be responsible for overall Project implementation, management and coordination, including procurement and financial management, safeguards monitoring and supervision, and Project performance evaluation; and
 - (c) a Project Management Office in each Project County/District, which shall be responsible for implementing its Respective Part of the Project, including annual budget and work plan preparation.

B. Anti-Corruption

The Project Implementing Entity shall, and shall cause the Project Counties/Districts, to carry out the Project in accordance with the provisions of the GAAP and the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity shall:
 - (a) take, and shall cause the Project Counties/Districts to 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, in carrying out the Project and activities described in subparagraph (b) below;
 - (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) 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, in carrying out the Project, shall implement, and shall cause each Project County/District to implement, the Safeguards Instruments in a manner satisfactory to the Bank. Without limitation on the foregoing, the Project Implementing Entity, through the Project Counties/Districts as the case may be, 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 the Project Counties/Districts 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 the Project Counties/Districts 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. 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, shall, and shall cause each of the Project Counties/Districts 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.

D. Financial Arrangements

1. The Project Implementing Entity shall allocate to each Project County/District a portion 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, which has been allocated to each Project County/District, 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/District.
 - (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 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions) over a period of twenty nine (29) years, inclusive of a grace period of six (6) 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 2.04 of the Loan Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity, through the Project Counties/Districts, shall 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, 2018, 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 one month before 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 the Project Counties/Districts 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 for each Project Counties/Districts covering the semester, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity shall have, and shall cause the Project Counties/Districts 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.

Section IV. Other Undertakings

1. The Project Implementing Entity shall cause Wugong County:
 - (a) by no later than June 30, 2016, to furnish to the Bank a time-bound action plan for Wugong town, prepared under terms of reference satisfactory to the Bank, to increase connections to the new water supply system through regulation and incentives, and to terminate the use of untreated ground water as the drinking source; and
 - (b) by no later than January 1, 2017, to commence implementation of the action plan referred to in paragraph (a) of this Section, taking into account the comments, if any, made by the Bank thereon.