



LOAN NUMBER 8566-CN

Project Agreement

(Hebei Clean Heating Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

HEBEI PROVINCE

Dated *March 24*, 2016

PROJECT AGREEMENT

Agreement dated March 24, 2016, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and HEBEI 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 objectives 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 Governor or Vice Governor.
- 3.02. The Bank's Address is:

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

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Hebei Finance Department
No. 48, Zhonghuanan Avenue
Shijiazhuang City 050051
Hebei, China

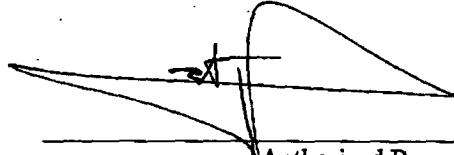
Facsimile:

86-311-6665-0733

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



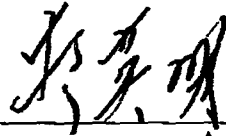
Authorized Representative

Name: Bert Hofman

Title: Country Director, China

HEBEI PROVINCE

By



Authorized Representative

Name: Yang Yinquang

Title: Deputy Director General
International Economic and Financial
Cooperation Department
Ministry of Finance

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. In order to ensure the proper carrying out of the Project, the Project Implementing Entity shall maintain, and cause to be maintained, the following entities with composition, powers, functions, staffing, facilities and other resources satisfactory to the Bank:
 - (a) a Provincial Project Leading Group, to provide leadership, policy guidance and coordination in the preparation and implementation of the Project; and
 - (b) the Hebei Project Management Office, to be responsible for the overall coordination, management and supervision of the Project; including the review and approval of Annual Work Plans related thereto, revisions to the Project budget and allocation of resources, coordination of fiduciary aspects, and provision of guidance to the Project Companies on Project implementation.
2. For the purpose of assisting the Project Implementing Entity with the carrying out of the Subprojects, each Project Entity shall:
 - (a) maintain, and cause to be maintained, a Project leading group, with composition, powers, functions, staffing, facilities and other resources satisfactory to the Bank, to provide leadership, policy guidance and coordination in the preparation and implementation of the respective Subproject;
 - (b) enter into an agreement (the "Subsidiary Agreement") with the respective Project Company, under terms and conditions acceptable to the Bank, which shall include those set forth in the Annex to this Schedule; and
 - (c) cause the Project Companies to maintain, and cause to be maintained, a Project Implementation Unit, with composition, powers, functions, staffing, facilities and other resources satisfactory to the Bank, to be responsible for, *inter alia*: (i) overall management and supervision of the Subproject, including procurement, contract management, environmental and social safeguards, financial management, disbursements, and fiduciary aspects; and (ii) coordination, monitoring and evaluation.
3. The Project Implementing Entity, through the Project Entities, 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.

B. Financial Arrangements

1. The Project Implementing Entity shall allocate to each Project Entity 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 Entity, 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 Entity.
 - (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 nineteen (19) years, inclusive of a grace period of five (5) years.
 - (c) The Project Implementing Entity 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 Entity.

C. Anti-Corruption

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

D. Annual Work-Plans and Annual Financial Viability Plans

The Project Implementing Entity shall, and shall cause the Project Companies, to: (a) carry out activities under the Project during each fiscal year in accordance with Annual Work Plans agreed with the Bank; (b) prepare and furnish to the Bank by December 15 in each year, beginning in 2016: (i) a draft Annual Work Plan for review and comment, summarizing the implementation progress of the Project for the said year and the Project activities to be undertaken for the following calendar year, including the proposed annual budget for the Project; and (ii) a draft Annual Financial Viability Plan for review and comment; (c) taking into account the Bank's comments, finalize and furnish to the Bank no later than January 15 in each year, beginning in 2017, the Annual Work Plan and the Annual Financial Viability Plan, satisfactory to the Bank; and (d) thereafter, ensure the implementation of the Project during the following calendar year in accordance with the Annual Work Plan and the actions agreed in the Annual Financial Viability Plan, both in a manner satisfactory to the Bank. The Project Implementing Entity shall not, and shall cause the Project Companies not to, amend, suspend, abrogate, or waive said Annual

Work Plans or Annual Financial Viability Plans or any provision thereof without the prior approval of the Bank.

E. Safeguards

1. In carrying out the Project, the Project Implementing Entity shall, and shall cause 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 ARAPs and in a manner satisfactory to the Bank.
2. The Project Implementing Entity shall implement, and shall cause the 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 ensure, and cause the Project Companies to ensure, that each contract for works financed with the proceeds of the Loan includes the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the EMP, as the case may be.
3. The Project Implementing Entity shall not, and shall cause the Project Companies not to amend, suspend, or waive the Safeguards Instruments, or any provision thereof, without the prior written concurrence of the Bank.
4. The Project Implementing Entity shall maintain, and shall cause the Project Companies to maintain, policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguards Instruments.
5. The Project Implementing Entity, through Xingtai Municipality, shall furnish to the Bank by March 31 of each calendar year, beginning in 2016, a written report of findings and recommendations for any remedial work or safety measures necessary to upgrade the Yangwuowan reservoir to an acceptable standard of safety, including an action plan to address the findings and recommendations thereof, to be prepared by a 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: (a) inspect and evaluate the status of the Yangwuowan reservoir, its appurtenances, and its performance history; and (b) review and evaluate operation and maintenance procedures of the Yangwuowan reservoir.

6. Without limitation to the provisions of paragraphs 1 through 5 of this Section I.E, or the provisions of Section II.A below, the Project Implementing Entity shall take, and cause the Project Companies 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 shall, and shall cause the Project Companies 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 calendar semester, and shall be furnished to the Borrower not later sixty (60) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project 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 December 15, 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 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 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 and financial

condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provision of Part A of this Section, the Project Implementing Entity shall, and shall cause the Project Companies, to prepare and furnish to the Project Implementing Entity, for submission to the Bank as part of the Progress Report 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 its financial statements referred to above audited by independent auditors acceptable to the Bank, 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 SCHEDULE

Principal Terms and Conditions of the Subsidiary Agreements

For purposes of Section I.A.2 (b) of the Schedule to this Agreement, the Subsidiary Agreement to be entered into by the Project Implementing Entity, through the respective Project Entity, and the respective Project Company 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 Subprojects, the Project Implementing Entity, through the Project Entities, shall make available to the Project Companies the proceeds of the Loan allocated to the respective Subproject from time to time, under terms and conditions acceptable to the Bank.
2. The Project Implementing Entity, through the respective Project Entity, shall have the right to suspend or terminate the right of the respective Project Company to use and/or receive the proceeds of the Loan, allocated from time to time to the respective Subproject, upon failure by the Project Company to perform any of its obligations under the Subsidiary Agreement.
3. Each Project Company shall undertake to:
 - (a) assist the Project Implementing Entity in the carrying out of the Subproject 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 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 the implementation of the Subproject, staff in adequate numbers and with terms of reference and qualifications acceptable to the Bank, to be responsible for implementing the Subproject. To this end, each Project Company shall maintain, and cause to be maintained, a Project Implementation Unit, with composition, powers, functions, staffing, facilities and other resources satisfactory to the Bank, to be responsible for, *inter alia*: (i) overall management and supervision of the Subproject, including procurement, contract management, environmental and social safeguards, financial management, disbursements, and fiduciary aspects; and (ii) coordination, monitoring and evaluation; and
 - (c) without limitation to the foregoing, to take all measures necessary to ensure that the Subproject is implemented, as applicable, in accordance with the Safeguards Instruments.
4. Each Project Company shall undertake to procure the works and goods to be financed out of the proceeds of the Loan, allocated from time to time to its Subproject, in accordance

with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such works and goods exclusively in the carrying out of its Subproject.

5. Each Project Company shall undertake to enable the Bank and the Project Implementing Entity to inspect such sites and works included in its Subproject, the operation thereof, and any relevant records and documents as the Bank and/or the Project Implementing Entity shall deem necessary.
6. Each Project Company shall undertake, throughout the implementation of its Subproject, to:
 - (a) maintain records and accounts adequate to reflect its operations and financial condition in accordance with sound accounting practices;
 - (b) have its 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, 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 its 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 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 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 Subproject and the achievement of the objective thereof;
 - (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; and
 - (f) (i) prepare and furnish to the Bank, as part of the Annual Work Plans, by December 15 in each year, beginning in 2016, a draft Annual Financial Viability Plan; (ii) taking into account the Bank's comments, finalize and furnish to the Bank, as part of the Annual Work Plans, no later than January 15 in each year, beginning in 2017, the Annual Financial Viability Plan, satisfactory to the Bank; and (iii) thereafter, ensure the implementation of the actions agreed in the Annual Financial Viability Plan, in a manner satisfactory to the Bank.