LOAN NUMBER 8157-CN

Project Agreement

(Integrated Economic Development of Small Towns (Gansu) Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

GANSU PROVINCE

Dated August 7, 2012
PROJECT AGREEMENT

AGREEMENT dated August 7, 2012, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") and GANSU PROVINCE ("Gansu" or "Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement of same date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank ("Loan Agreement") for the Integrated Economic Development of Small Towns (Gansu) Project (the "Project"). 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 objective of the Project. To this end, the Project Implementing Entity shall:

(a) carry out the Project in accordance with the provisions of Article V of the General Conditions; and

(b) provide promptly as needed, the funds, facilities, services and other resources required for its relevant activities under the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank 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 or such other person or persons as the Governor or Vice Governor shall designate in writing.
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: INTBAFRAD  
Telex: 248423(MCI) or 64145(MCI)  
Facsimile: 1-202-477-6391

3.03. The Address of the Project Implementing Entity is:

Office of Gansu Provincial Foreign Loans Administration Committee  
No. 696 West Donggang Road, Chengguan District, Lanzhou City  
Gansu Province  
People's Republic of China  
Facsimile: 86-931-889-1043

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: Klaus Rohland  
Title: Country Director, China

GANSU PROVINCE

By  
Authorized Representative

Name: Lin Yangfu  
Title: Executive Vice Governor
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, throughout the period of implementation of the Project, with membership, terms of reference, staffing and other resources acceptable to the Bank, and as set out in its Project Implementation Plan, the following institutional structure:

(a) a Provincial Project Leading Group that shall be responsible for providing overall policy guidance, coordination, oversight and support relating to Project implementation and management;

(b) a Provincial Project Management Office responsible for inter alia, overall coordination, management and monitoring, annual budget and work plan preparation and review, quality assurance, preparation of progress reports, and procurement and financial management of the Project; and

(c) a County Project Management Office in each Project County within whose jurisdiction a Project Town is located, comprising officials from all relevant local levels, and responsible for day-to-day management and implementation of the Project.

2. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, including the provisions thereof applicable to the recipients of Loan proceeds other than the Borrower.

B. Implementation Plan and Safeguards Framework

1. The Project Implementing Entity shall carry out and caused to be carried out the Project in accordance with the provisions of its Project Implementation Plan and this Agreement in a manner satisfactory to the Bank. The Project Implementing Entity shall not amend, suspend, or waive its Project Implementation Plan or any provision thereof without the prior approval of the Bank. In case of any inconsistency between the provisions of said Project Implementation Plan and this Agreement, the provisions of this Agreement shall prevail.
2. The Project Implementing Entity shall:

(a) take, and shall cause the Project Counties 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)(ii) below;

(b) for this purpose:

(i) prior to the commencement of any works financed from the proceeds of the Loan, implement, and cause the relevant Project Counties to implement the RAP in a manner satisfactory to the Bank; and

(ii) whenever modification of Project design or works would give rise to Displaced Persons, provide, and cause the Project Counties concerned, before commencing any works related thereto, to provide to the Bank for its review, a resettlement action plan and, thereafter, implement in a manner satisfactory to the Bank such resettlement action plan as shall have been accepted by the Bank.

3. The Project Implementing Entity shall, in carrying out the Project, implement or cause to be implemented its ECOP and its PMP in a manner satisfactory to the Bank. In addition, in carrying out the Project, the Project Implementing Entity shall implement or cause to be implemented the EMDP in a manner satisfactory to the Bank.

4. The Project Implementing Entity shall obtain the written approval of the Bank prior to amending, suspending, or waiving its RAP, ECOP, PMP, or EMDP, or any provision thereof.

5. Without limitation to the provisions of paragraph 1 of Section II.A of this Schedule, the Project Implementing Entity shall 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 its RAP, ECOP, PMP and EMDP, giving details of:

(a) measures taken in furtherance of said documents;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said documents; and
(c) remedial measures taken or required to be taken to address such conditions.

6. In case of any inconsistency between the provisions of any of the documents referred to in paragraph 5 above and this Agreement, the provisions of this Agreement shall prevail.

C. Financing Arrangements

The Project Implementing Entity shall make a portion of the proceeds of the amount made available to it by the Borrower pursuant to the provisions of Section I.A of Schedule 2 to the Loan Agreement and allocated from time to time under the Categories set forth in the table in paragraph A.2 of Section IV of Schedule 2 to the Loan Agreement to each Project County located within its jurisdiction as set out in Schedule 4 of the Loan Agreement in accordance with procedures and arrangements satisfactory to the Bank, including those set out in its Project Implementation Plan, and on the same terms as set out in Section I.A of Schedule 2 to the Loan Agreement in order to enable said County and the Project Towns located within said County to implement their respective activities under the Project.

D. Sub-project Implementation

The Project Implementing Entity shall, with respect to each Sub-project carried out under the Project, in order to ensure the proper operation and maintenance of said Sub-project, at least three (3) months prior to its completion, cause the relevant Project County and Project Town to prepare and furnish to the Bank for review and comment a proposed operation and maintenance plan for such Sub-project, including institutional, technical and financial arrangements, and, thereafter, ensure the prompt implementation of each such plan, taking into account the views of the Bank thereon.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its activities under 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 Annex 1 to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank no later than forty-five (45) days after the end of each calendar semester, beginning on February 15, 2013.
2. The Project Implementing Entity shall, not later than December 31, 2014 review with the Borrower and the Bank (mid-term review) the progress made in the implementation of its activities under the Project, and, based on any recommendation of the Borrower and the Bank, adopt and carry out measures, satisfactory to the Borrower and the Bank, to ensure the efficient completion of its activities under the Project and to achieve the objectives thereof.

3. The Project Implementing Entity shall provide to the Borrower not later than three (3) 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 such Section.

B. Financial Management, Financial Reports; 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 its activities under the Project.

2. 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 (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

3. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Bank as part of the Project Reports by no later than forty-five (45) days after the end of each calendar semester, interim un-audited financial reports for its activities under the Project covering the calendar semester, in form and substance satisfactory to the Bank.

Section III. Procurement

1. All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured by the Project Implementing Entity in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.
## Annex 1

### Performance Indicators

<table>
<thead>
<tr>
<th>Project Development Objective Level Results Indicators (PO)</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Frequency</th>
<th>Data Source/ Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PO-1: Number of people benefiting from the new and rehabilitated roads.</strong></td>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>380,000</td>
<td>mid-term/ end project</td>
<td>Beneficiaries include (a) employees (for enterprises operating in industrial areas and for shops served by newly built and rehabilitated roads); (b) tourists (for tourist areas served by new and rehabilitated roads); (c) vendors (for agricultural markets served by new and rehabilitated roads). For enterprises operating in industrial areas, source is the organization responsible for the industrial area. For shops located on new roads the PMOs will identify the shops and coordinate with the tax bureaus to obtain the data. Tourism bureau to provide the annual number of tourists measured either by number of tickets sold or an estimate of annual tourists using methods already in use. For agricultural markets the entity operating the market to provide annual data.</td>
<td>Local PMOs will coordinate collection of the data and compile indicators based on inputs from the data sources.</td>
<td>The primary objective of the roads is to provide the infrastructure necessary for the businesses to exist and thrive. Therefore, indicators measuring the vitality of the business are the most direct way to measure the benefits of the roads.</td>
</tr>
<tr>
<td><strong>PO-2: Number of people using potable water supply</strong></td>
<td>106</td>
<td>0</td>
<td>5,755</td>
<td>7,855</td>
<td>mid-term/ end project</td>
<td>Data on population (households and businesses) with access to water meeting national standards is available in all towns.</td>
<td>Local PMOs in coordination with local water supply companies.</td>
<td>Potable water supply as defined by GB5749-2006 Standards for Drinking Water Quality.</td>
</tr>
<tr>
<td><strong>PO-3: Number of residents and employees with access to water/solid waste</strong></td>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>mid-term/ end project</td>
<td>PMO to collect data from the project town Construction Bureau (for residents) and from enterprises (for number of employees).</td>
<td>Local PMOs in coordination with relevant bureau and</td>
<td>Improved waste management services defined as GB18918-2002</td>
</tr>
</tbody>
</table>
management systems enterprises. Discharge Municipal Wastewater.

**PO-4: Number of users effectively using the integrated centers, agricultural markets, and land served by irrigation facilities.**

<table>
<thead>
<tr>
<th>No.</th>
<th>9,964</th>
<th>17,820</th>
<th>22,520</th>
<th>mid-term/end project</th>
<th>Number of users includes enterprises, associations, or individual entrepreneurs of new service centers and new/rehab. agricultural markets and farmers who use the irrigation facilities.</th>
</tr>
</thead>
</table>

Local PMOs in coordination with new service center operators.

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**Intermediate Result (Part A of the Project):**

<table>
<thead>
<tr>
<th>Intermediate Result Indicators (IO)</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>YR 1</td>
<td>YR 2</td>
<td>YR3</td>
<td>YR4</td>
</tr>
<tr>
<td>IO-1.1: Roads constructed</td>
<td>km</td>
<td>0</td>
<td>18.891</td>
<td>48.797</td>
<td>82.876</td>
<td>83.673</td>
</tr>
<tr>
<td>IO-1.2: Roads rehabilitated (km)</td>
<td>km</td>
<td>1.1</td>
<td>1.29</td>
<td>1.29</td>
<td>1.29</td>
<td>1.29</td>
</tr>
<tr>
<td>IO-1.3: Volume of potable water supply generated</td>
<td>m³/d</td>
<td>30</td>
<td>1132</td>
<td>1685</td>
<td>Mid-term/end project</td>
<td>Mid-term report and ICR</td>
</tr>
<tr>
<td>IO-1.4: Household water connections resulting from the new project</td>
<td>No.</td>
<td>0</td>
<td>1595</td>
<td>2477</td>
<td>3482</td>
<td>4237</td>
</tr>
<tr>
<td>IO-1.5: Length of pipelines installed:</td>
<td>m</td>
<td>0</td>
<td>53254</td>
<td>63604</td>
<td>74962</td>
<td>77612</td>
</tr>
<tr>
<td>(a) Water supply</td>
<td>13586</td>
<td>18586</td>
<td>27336</td>
<td>28836</td>
<td>28836</td>
<td>Semi-annual</td>
</tr>
<tr>
<td>(b) Sewers</td>
<td>19389</td>
<td>23739</td>
<td>25543</td>
<td>26693</td>
<td>26693</td>
<td>Semi-annual</td>
</tr>
<tr>
<td>(c) Drainage</td>
<td>20279</td>
<td>21279</td>
<td>22083</td>
<td>22083</td>
<td>22083</td>
<td></td>
</tr>
<tr>
<td>IO-1.6: New farmers markets, industrial centers, vocational training centers, built</td>
<td>No.</td>
<td>0</td>
<td>2</td>
<td>8</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>IO-1.7: Increased areas of irrigation with new and improved</td>
<td>Ha</td>
<td>415</td>
<td>1490</td>
<td>2940</td>
<td>4350</td>
<td>5840</td>
</tr>
</tbody>
</table>
facilities (canals and pumps)

**Intermediate Result (Part B of the Project):**

<table>
<thead>
<tr>
<th>IO-2.1: Number of studies completed based on agreed TA program</th>
<th>No.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Semi-annual</th>
<th>progress reporting</th>
<th>Provincial PMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>IO-2.2: Number of farmer organizations (Producers Associations, Coops, WUAs etc.) developed or improved</td>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>15</td>
<td>21</td>
<td>25</td>
<td>Semi-annual</td>
<td>progress reporting</td>
</tr>
</tbody>
</table>
| IO-2.3: Agricultural Markets  
  (a) number of vendors;  
  (b) sales revenue | No. | Million (rmb) | 516 | 1247 | 2524 | 47.55 | 100.64 | 143.69 | Semi-annual | progress reporting | County PMO/Finance Bureau |
| IO-2.4: Number of target beneficiaries (enterprises, smallholder producers and farmers) trained based on agreed training program | No. | 0 | 2800 | 5600 | 8300 | 10300 | 12200 | Semi-annual | progress reporting | County & Provincial PMOs |

**Intermediate Result (Part C of the Project):**

<table>
<thead>
<tr>
<th>IO-3.1: Number of PMO staff trained (project management, procurement, financial management, M&amp;E etc.)</th>
<th>No.</th>
<th>180</th>
<th>300</th>
<th>440</th>
<th>550</th>
<th>640</th>
<th>Semi-annual</th>
<th>progress reporting</th>
<th>County &amp; Provincial PMOs</th>
</tr>
</thead>
</table>