

Public Disclosure Authorized

CONFIRMED COPY

LOAN NUMBER 7938-CN

Loan Agreement

(Huai River Basin Flood Management and
Drainage Improvement Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 3, 2010

LOAN AGREEMENT

AGREEMENT dated November 3, 2010, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are May15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entities in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is the Minister of Finance.

5.02. The Borrower's Address is:

Ministry of Finance
Sanlihe
Xicheng District
Beijing 100820
People's Republic of China

Facsimile:

(86-10) 68 55 11 25

5.03. 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

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

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhang Wencai
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to provide better and more secure protection against floods and water logging, increase farmland productivity, and reduce property losses in predominantly rural areas in the Huai River basin in the provinces of Jiangsu, Shandong, Anhui and Henan of the Borrower.

The Project consists of the following parts:

Part A: Flood Protection and Drainage Improvement

1. Carrying out of flood protection and drainage improvement works in the Project Area including: (a) strengthening of dikes; (b) improving waterways through, *inter alia*, river dredging, drainage channel excavation, and river bank reinforcement and stabilization; and (c) construction, rehabilitation, replacement and expansion of flood control works, including pumping stations, cross-dike structures, sluice gates and bridges.
2. Enhancing community involvement in flood protection and drainage improvement works through: (a) establishment and expansion of Farmer Drainage and Irrigation Associations in the Project Area; and (b) carrying out drainage and minor irrigation improvement works in the Project Area.
3. Carrying out of a program for mitigating the adverse environmental impacts and enhancing positive impacts from the implementation of this Part A of the Project.

Part B: Disaster Assessment and Support System

1. Carrying out of a program to enhance disaster assessment and support systems including: (a) upgrading coverage and facilities for information and data collection on river floods and drainage; (b) improving speed of disaster information and data collection, transmission and processing; (c) establishing a disaster assessment center in Hefei, Anhui Province to facilitate the participatory decision making process; (d) improving the level of accuracy of flood and water-logging damage assessment process; and (e) formulating innovative measures on water-logging mitigation.
2. Carrying out of a program for mitigating the adverse environmental impacts and enhancing positive impacts from the implementation of this Part B of the Project.

Part C: Institutional Strengthening

1. Strengthening the capacity of the Project Implementing Entities in critical areas related to the Project including: (a) dike maintenance; (b) design and construction; (c) modern construction technologies; (d) data collection and decision support systems for flood forecasting systems, emergency preparedness plans and river modeling; (e) financial and physical sustainability; and (f) Project implementation and management of completed works.
2. Strengthening the institutional and physical capacities of the Project Implementing Entities for the efficient operation and maintenance of flood control and drainage improvement facilities in the Project Area.

Part D: Resettlement Action Plan Implementation

1. Carrying out of a program for the resettlement and rehabilitation of people affected by the implementation of the Project.

Part E: Project Management

1. Strengthening the capacity of the Project Implementing Entities in Project management through, *inter alia*: (a) provision of consultant services for the production of engineering design, preparation and processing of procurement documents and carrying out construction supervision; (b) installation and operation of a procurement and financial management information system; (c) establishment of monitoring and evaluation systems and enhancing capacity for carrying out monitoring and evaluation of the Project; and (d) carrying out quality assurance measures.

SCHEDULE 2

Project Execution

Section I. Financing and Implementation Arrangements

A. Financing Arrangements

1. The Borrower shall make available to the Project Implementing Entities the proceeds of the Loan allocated from time to time to the Categories for each such Entity as set forth in the table in Section IV of this Schedule on the following principal terms:
 - (i) The principal amount shall be made available in Dollars or any other Currency as the Loan may be converted from time to time through a Currency Conversion (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account).
 - (ii) The following shall be recovered over a period of twenty five (25) years inclusive of a grace period of eight (8) years: (a) the principal amount so made available; (b) a pro rata amount of the fee paid pursuant to Section 2.03 of this Agreement; and (c) the amount of the Premium paid pursuant to Section 2.07(c) of this Agreement.
 - (iii) Interest shall be charged 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 the provisions of Section 2.04 of this Agreement.

B. Implementation Arrangements

1. The Borrower shall maintain, or cause to be maintained, throughout the period of implementation of the Project:
 - (a) the Central Project Leading Group within MWR, for purposes of providing overall policy support and ensuring coordination among all relevant agencies for the implementation of the Project;
 - (b) the Central Project Coordination Office within MWR, with composition, powers, functions, funds, staffing and other resources satisfactory to the Bank and as shall be required to enable the CPCO to liaise and carry out coordination of Project implementation among relevant agencies at the central level and among relevant departments within the MWR;

- (c) the Central Project Management Office within HRBC with such composition, powers, functions, funds, staffing and other resources satisfactory to the Bank and as shall be required to enable the CPMO to coordinate, manage and evaluate the overall implementation of the Project, including providing technical and policy assistance to the Project Implementing Entities; and
 - (d) the Central Expert Group with terms of reference, satisfactory to the Bank, in order to provide technical support to the CPMO.
2. The Borrower shall cause CPMO: (a) based on the annual implementation plans furnished to it by the Project Implementing Entities pursuant to Section I.11 of the Schedule to the Project Agreement, to prepare a consolidated annual implementation plan for the Project and furnish it to the Bank no later than December 31 in each year together with the plans received from the Project Implementing Entities; and (b) thereafter to ensure prompt implementation of said annual implementation plans finalized taking into account comments made by the Bank.

C. Anti-Corruption

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

D. Inconsistency

In the event of any inconsistency between the Project Implementation Plan, the Financial Management Manual, the Policy Framework for Resettlement and Land Acquisition, the RAPs, the EMPs, the Dam Safety Plans, and this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate, or cause MWR to monitor and evaluate, the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Annex to the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than three (3) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish, or cause to be prepared and furnished, to the Bank as part of the Progress Report not later than forty-five (45) 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 Borrower shall have its Financial Statements for the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

C. Safeguards

1. The Borrower shall ensure that the Project is implemented by the Project Provinces and HRBC, as the case may be, in accordance with the EMPs, the RAPs, the Policy Framework for Resettlement and Land Acquisition, and the Dam Safety Plans, in each case in a manner satisfactory to the Bank.
2. Without limitation on the provisions of paragraph 1 of Part C of this Section, the Borrower shall, ensure that the Project Provinces and HRBC, as the case maybe, implement the measures finalized pursuant to paragraph I.7 of the Schedule to the Project Agreement.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 and 4 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).
2. **National Competitive Bidding (NCB):** Except as otherwise provided in paragraph 3 below, works costing less than \$20,000,000 equivalent per contract and goods costing less than \$1,000,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding procedures, subject to the additional provisions provided in paragraph 3 below.
3. **Procedures for National Competitive Bidding.** The procedures to be followed for procuring goods and works under contracts awarded on the basis of National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No.21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Guidelines.
 - (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except contracts for works estimated to cost less than \$2,000,000 equivalent each or goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

- (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.
- (iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- (iv) All bidders shall be required to provide security in an amount sufficient to protect the Project Implementing Entities in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (vi) All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- (viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower, or the Project Implementing Entities, as the case may be.
- (ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (a) to be substantially responsive to the bidding documents; and (b) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
- (x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

- (xi) Government owned enterprises in the Borrower's country may be permitted to bid or submit a proposal for goods and civil works if they can establish that they: (a) are legally and financially autonomous; (b) operate under commercial law; and (c) are not a dependent agency of the agency conducting the procurement.
 - (xii) Re-bidding should not be allowed solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the Bank's prior written concurrence.
 - (xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press (as provided under 3(i) above) or official gazette or a free and open access website and shall identify: (a) the name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) the name and evaluated price of each evaluated bid; (d) the name of bidders whose bids were rejected and the reasons for their rejection; and (e) the name and offered price of the winning bidder, as well as the duration and summary scope of the awarded contract.
 - (xiv) The Project Implementing Entities shall have in place provisions for bidders to protest.
4. **Shopping.** Works costing less than \$200,000 equivalent per contract and goods costing less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

C. Particular Methods of Procurement of Consultants' Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality-Based Selection
(b)	Selection Based on Consultants' Qualifications
(c)	Individual Consultants
(d)	Single Source Selection

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract in excess of the equivalent of \$500,000 for goods and the equivalent of \$5,000,000 for works; (b) the first NCB contract procured for goods and for works regardless of contract value; (c) each contract for consultants' services in excess of the equivalent of \$100,000 for firms and in excess of the equivalent of \$50,000 for individuals; and (d) each contract awarded under Single Source Selection. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance: (a) the Front-end Fee in accordance with Section 2.07(b) of the General Conditions; (b) any premium on the Interest Rate Cap or the Interest Rate Collar in accordance with Section 4.05(c) of the General Conditions; and (c) the other Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of taxes)
1. Henan		
(a) Works	11,891,300	54%
(b) Goods	2,679,200	100%
(c) Consultant Services and Training	392,000	100%
2. Anhui		
(a) Works	61,617,700	68%
(b) Goods	12,099,200	100%
(c) Consultant Services and Training	1,095,700	100%

3. Jiangsu		
(a) Works	88,100,000	81%
(b) Goods	1,129,400	100%
(c) Consultant Services and Training	545,600	100%
4. Shandong		
(a) Works	8,920,100	43%
(b) Goods	1,498,000	100%
(c) Consultant Services and Training	554,300	100%
5. Huai River Basin Commission		
(a) Works	6,961,000	91%
(b) Goods	1,580,000	100%
(c) Consultant Services and Training	436,500	100%
6. Front-end Fee	500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
7. Premium on Interest Rate Cap or Interest Rate Collar	0	Amount payable pursuant to Section 2.07(c) of this Agreement in accordance with Section 4.05(c) of the General Conditions
Total	200,000,000	

B. Withdrawal Conditions, Procedures and Withdrawal Period

1. The Closing Date is December 31, 2016.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
Each May 15 and November 15, Beginning November 15, 2018 through November 15, 2034	2.94%
On May 15, 2035	2.98%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. “Anhui” means the Borrower’s Province of Anhui, and any successor thereto.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section III of this Appendix.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Central Expert Group” and the acronym “CEG” mean the group established by HRBC (as hereinafter defined) within the CPMO (as hereinafter defined), and to be maintained according to the provisions of paragraph B.1(d) of Section I of Schedule 2 to this Agreement.
5. “Central Project Coordination Office” and the acronym “CPCO” mean the office established within MWR (as hereinafter defined), and to be maintained according to the provisions of paragraph B.1(b) of Section I of Schedule 2 to this Agreement.
6. “Central Project Leading Group” and the acronym “CPLG” mean the office established within MWR, and to be maintained according to the provisions of paragraph B.1(a) of Section I of Schedule 2 to this Agreement.
7. “Central Project Management Office” and the acronym “CPMO” mean the office established by HRBC (as hereinafter defined), and to be maintained according to the provisions of paragraph B.1(c) of Section I of Schedule 2 to this Agreement.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
9. “Dam Construction Supervision and Quality Assurance Plan” means, in respect of any Upstream Dam (as hereinafter defined), the Plan of the relevant Project Province in which said Dam is located, prepared pursuant to paragraph 10(c) of Section I of the Schedule to the Project Agreement, and reviewed by the relevant Dam Safety Panel (as hereinafter defined) of said Province, setting out measures, including organization, staffing levels, procedures, equipment, and supervision qualifications, for supervision and quality assurance of the construction or rehabilitation of said Dam, as said Plan may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such Plan.

10. “Dam Emergency Preparedness Plan” means, in respect of any Upstream Dam, the Plan of the relevant Project Province in which said Dam is located, prepared pursuant to paragraph 10(c) of Section I of the Schedule to the Project Agreement, reviewed by the relevant Dam Safety Panel of said Province, detailing, *inter alia*, the roles of responsible parties during possible emergency situations when facility failure is considered imminent or when expected operational flow release threatens downstream life, property, or economic operations that depend on river flow levels relating to the relevant Upstream Dam and setting out measures, including clear statements on the responsibility for operations decision making and related emergency communications, maps outlining inundation levels for various emergency conditions, flood warning system characteristics, and procedures for evaluating threatened areas and mobilizing emergency forces and equipment, as said Plan may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such Plan.
11. “Dam Instrumentation Plan” means, in respect of any Upstream Dam, the Plan of the relevant Project Province in which said Dam is located, prepared pursuant to paragraph 10(c) of Section I of the Schedule to the Project Agreement, reviewed by the relevant Dam Safety Panel of said Province, setting out measures for the installation of instruments to monitor and record the behavior of and the hydro-meteorological, structural, and seismic factors relating to the relevant Upstream Dam as said Plan may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such Plan.
12. “Dam Operation and Maintenance Plan” means, in respect of any Upstream Dam, the Plan of the relevant Project Province in which said Dam is located, prepared pursuant to paragraph 10(c) of Section I of the Schedule to the Project Agreement, reviewed by the relevant Dam Safety Panel of said Province, setting out measures, including organizational structure, staffing, technical expertise, and training required, equipment and facilities needed, procedures, and funding arrangements, including long-term maintenance and safety inspections, for the operation and maintenance of the relevant Upstream Dam, as said Plan may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such Plan.
13. “Dam Safety Panel” means each panel appointed by Anhui Province, Henan Province, Jiangsu Province and Shandong Province on October 15, 2008, November 11, 2007, December 5, 2007, and November 15, 2008 respectively, consisting of three experts, except for the Panel appointed by Jiangsu that consists of two experts, for the purposes, *inter alia*, of reviewing the safety aspects of each Upstream Dam (as hereinafter defined) located in said Provinces, and to be maintained according to the provisions of paragraph 9 of Section I of the Schedule to the Project Agreement.

14. “Dam Safety Plans” means, collectively, for any Upstream Dam: (i) the Dam Construction Supervision and Quality Assurance Plan; (ii) the Dam Emergency Preparedness Plan; (iii) the Dam Instrumentation Plan; (iv) the Dam Operation and Maintenance Plan; (v) the action plan for carrying out periodic safety inspection prepared pursuant to paragraph 10(c) of Section I of the Schedule to the Project Agreement; and (vi) the annual dam safety action plan prepared pursuant to paragraph 10(d) of Section I of the Schedule to the Project Agreement.
15. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
16. “Environmental Management Plans” and the acronym “EMPs” mean collectively: (a) each plan of Anhui, Henan, Jiangsu and Shandong (as certain of these terms are hereinafter defined) dated February 9, 2010, and adopted by them, and the consolidated Plan dated February 9, 2010 prepared for the Project by HRBC (as hereinafter defined) and adopted by it and MWR (as hereinafter defined), each such plan setting forth, *inter alia*, the assessment of environmental impacts of the Project, including impacts on natural habitats and culturally significant sites, recommendations for mitigation of adverse impacts and enhancement of positive impacts based on such assessment, and the guidelines for environmental screening and monitoring of Project implementation; and (b) the annual EMP action plan to be prepared by each Project Implementing Entity pursuant to paragraph 4 of Section I of the Schedule to the Project Agreement, as each such plan may be amended from time to time with the prior written approval of the Bank; and such term includes all attachments and annexes supplemental to each such Plan.
17. “Expert Groups” and the acronym “EGs” mean provincial expert groups established by the Project Provinces, and to be maintained according to the provisions of paragraph 1(c) of Section I of the Schedule to the Project Agreement.
18. “FDIA” means a Farmer Drainage and Irrigation Association established in the Project Area by the Project Provinces to enhance community participation in the operation and maintenance of irrigation and drainage systems.
19. “FDIA Extension Plan” means the plan dated February 9, 2010 duly adopted by each of the Project Provinces for extending the establishment and operation of FDIAs in the Project Area, as each such plan may be amended from time to time with the prior written approval of the Bank; and such term includes all attachments and annexes supplemental to each such Plan.

20. “Financial Management Manuals” means collectively each Manual of Anhui, Henan, Jiangsu, Shandong and HRBC dated February 9, 2010 and adopted by each of them, each such Manual setting out, *inter alia*, the policies and procedures for establishing and maintaining a financial management system to be implemented by the respective Project Implementing Entity in the carrying out of the Project, as said Manual may be amended from time to time with the prior written approval of the Bank; and such term includes all attachments and annexes supplemental to each said Manual.
21. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
22. “Henan” means the Borrower’s Province of Henan, and any successor thereto.
23. “HRBC” means Huai River Basin Commission of the Borrower established within MWR, and any successor thereto.
24. “Jiangsu” means the Borrower’s Province of Jiangsu, and any successor thereto.
25. “MWR” means the Borrower’s Ministry of Water Resources, and any successor thereto.
26. “Policy Framework for Resettlement and Land Acquisition” means the policy framework, dated April 29, 2010, adopted by the Project Implementing Entities, which sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans during the implementation of the Project, as said policy framework may be revised from time to time with the prior written agreement of the Bank; and such term includes all attachments and annexes supplemental to said Policy Framework.
27. “Procurement and Financial Management Information System” means the system, acceptable to the Bank, to be installed for the Project by the Project Implementing Entities to improve internal controls, monitor the entire procurement process and financial transactions, identify and cross-checks errors, and improve external reviews and auditing, and to be applied in accordance with the provisions of paragraph B.4 of Section II of the Schedule to the Project Agreement.
28. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
29. “Procurement Plans” means collectively each Plan of Anhui, Henan, Jiangsu, Shandong and HRBC dated May 5, 2010, for the Project, adopted by each of them,

each such Plan being referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

30. “Project Agreement” means the agreement between the Bank and the Borrower’s Provinces of Anhui, Henan, Jiangsu, and Shandong, and HRBC, and any successor thereto, of even date herewith, as the same may be amended from time to time with the prior written approval of the Bank; and such term includes all schedules and agreements supplemental to the Project Agreement.
31. “Project Area” means the basin area of the Huai River comprised in the Anhui Province, Henan Province, Jiangsu Province and Shandong Province of the Borrower.
32. “Project Implementation Plan” means the Plan dated February 10, 2010 adopted by the Project Implementing Entities setting out the detailed arrangements and procedures for implementing and supervising the Project, and to be carried out by the Project Implementing Entities in the implementation of the Project, as the same may be amended from time to time with the prior written approval of the Bank; and such term includes all attachments and annexes supplemental to said Manual.
33. “Project Implementing Entities” means Anhui Province, Henan Province, Jiangsu Province, Shandong Province and HRBC.
34. “Project Leading Groups” and the acronym “PLGs” mean project leading groups established by the Project Provinces and to be maintained according to the provisions of paragraph 1(a) of Section I of the Schedule to the Project Agreement.
35. “Project Management Offices” and the acronym “PMOs” mean the office established within HRBC and the office established by the provincial water resources bureaus of each Project Province, and to be maintained according to the provisions of paragraph 1(b) of Section I of the Schedule to the Project Agreement.
36. “Project Provinces” means, collectively, Anhui, Henan, Jiangsu and Shandong, and “Project Province” means any one of them individually as the context may require.
37. “Resettlement Action Plans” and the acronym “RAPs” mean collectively: (a) each plan of Anhui, Henan, Jiangsu and Shandong dated February 9, 2010, respectively prepared with respect to the implementation of the Project until December 31, 2011 duly adopted by the Project Provinces; and (b) the annual RAP of each Province to be prepared in accordance with the Policy Framework for Resettlement and Land Acquisition, for each subsequent calendar year during the implementation of the Project, each of which Plan sets out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of the Project, as well as reporting and monitoring

arrangements to ensure compliance with said plan, as each such plan may be amended from time to time with the prior written approval of the Bank; and such term includes all attachments and annexes supplemental to each such Plan.

38. “Shandong” means the Borrower’s Province of Shandong, and any successor thereto.
39. “Training” means the costs of training under the Project, based on annual work plans and budgets approved by the Bank, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.
40. “Upstream Dam” means an existing dam or a dam under construction or to be constructed and located in an area in Anhui, Henan, Jiangsu or Shandong lying upstream of any facilities to be constructed or rehabilitated under the Project and whose failure may cause damage to the safe operation of said facilities, each such Dam to be reviewed by the Dam Safety Panel in order to ensure its operational safety, including the preparation and implementation for any such Dam of required Dam Safety Plans.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of: (i) a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association; and/or (ii) a declaration by another financier that the Borrower (other than the Member Country) or the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. The definition of the term “Conversion Date” is the Appendix modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”