

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7910-CN
GEF GRANT NUMBER TF097197

Project Agreement

(Sustainable Development in Poor Rural Areas Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

CHONGQING MUNICIPALITY

HENAN PROVINCE

and

SHAANXI PROVINCE

Dated August 25, 2010

PROJECT AGREEMENT

AGREEMENT dated August 25, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), and CHONGQING MUNICIPALITY (“Chongqing”), HENAN PROVINCE (“Henan”), and SHAANXI PROVINCE (“Shaanxi”) and (collectively, “Project Implementing Entities”) (“Project Agreement”) in connection with:

- (1) the Loan Agreement of same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank (“Loan Agreement”); and
- (2) the Global Environment Facility Grant Agreement (“Co-financing Agreement”) of the same date between PEOPLE’S REPUBLIC OF CHINA (“Recipient”) and the Bank, acting as an implementing agency of the Global Environment Facility (“Co-financier”), for the Co-financing (as hereinafter defined).

The Bank and the Project Implementing Entities hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement), with the modifications set forth below, constitute an integral part of this Agreement:

- (a) Whenever used in the General Conditions, the term “Borrower” shall include the term “Recipient” and the term “Loan” shall include the term “Grant” or the term “Co-financing” except in Article III, Article IV and Sections 7.05, 7.06, and 7.07 of the General Conditions.
- (b) Whenever used in the provisions of Sections 5.01, 5.02, 5.09 and 5.11, the term “Legal Agreement” means the Loan Agreement, the Co-financing Agreement or the Project Agreement. “Legal Agreements” means collectively, all such agreements.
- (c) Section 5.10 is modified to read as follows:

“The Bank, the Loan Parties, the parties to the Co-financing Agreement and the Project Implementing Entities shall cooperate fully to assure that the purposes of the Loan and the Co-financing and the objectives of the Project will be accomplished. To that end, the Bank, the Loan Parties, the parties to the Co-financing Agreement and the Project Implementing Entity shall:

- (a) from time to time, at the request of any one of them, exchange views on the Project, the Loan, the Co-financing and the

performance of their respective obligations under the Legal Agreements, and furnish to the other party all such information related to such matters as it shall reasonably request; and

(b) promptly inform each other of any condition which interferes with, or threatens to interfere with, such matters.”

(d) Section 9.05 of the General Conditions is amended to read as follows:

“Section 9.05. Termination of the Project Agreement

The Project Agreement and all obligations of the parties under the Project Agreement shall forthwith terminate upon: (i) full payment of the Withdrawn Loan Balances and all other Loan Payments due; or (ii) when all obligations of the Co-financing Agreement have been fully performed, whichever is later.”

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, the Co-financing Agreement, or the General Conditions.

ARTICLE II – PROJECT

2.01. Each of the Project Implementing Entities declares its commitment to the objectives of the Project. To this end, said Project Implementing Entity shall: (a) carry out its Respective Parts of 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 Respective Parts of 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 Entities shall otherwise agree, each of the Project Implementing Entities shall carry out its Respective Parts of 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 on behalf of:

(a) Chongqing its Mayor or Vice Mayor or such other person or persons as the Mayor or Vice Mayor shall designate in writing;

(b) Henan its Governor or Vice Governor or such other person or persons as the Governor or Vice Governor shall designate in writing; and

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

3.03. The Project Implementing Entities' Addresses are:

For Chongqing:

Chongqing Poverty Alleviation and Development Office
Room 1721, No.3-1
Jianxingdong Road
Jiangbei District
Chongqing 400020, China

Facsimile:

(86-23) 67 73 49 90

For Henan:

Henan Poverty Alleviation and Development Office
No.105 Jinshui Road
Zhengzhou 450000
Henan, China

Facsimile:

(86-371) 65 90 74 36

For Shaanxi:

Shaanxi Poverty Alleviation and Development Office
F4, Building 8, Zhiyuan Hotel
Qingnian Road
Xi'an 710003
Shaanxi, China

Facsimile:

(86-29) 87 68 84 11

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland
Authorized Representative

CHONGQING MUNICIPALITY

By /s/ Ma Zhengqi
Authorized Representative

HENAN PROVINCE

By /s/ Li Ke
Authorized Representative

SHAANXI PROVINCE

By /s/ Yao Yinliang
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

Project Management

1. Throughout the period of implementation of its Respective Parts of the Project, each of the Project Implementing Entities shall maintain, and cause to be maintained, the following organizations with terms of reference, powers, functions, staffing and other resources acceptable to the Bank, for purposes of carrying out its Respective Parts of the Project:
 - (a) at the provincial level, a Provincial Project Leading Group (PPLG) to be responsible for mobilizing the institutional, technical and financial resources and support for the implementation of the Project, and providing the critical coordination and monitoring function for Project implementation; and a Provincial Project Management Office (PPMO) to be responsible for ensuring effective and timely Project implementation, as well as carrying out internal monitoring and implementation of the Project;
 - (b) at the municipal level in Shaanxi and Henan, a Municipal Project Leading Group (MPLG) and a Municipal Project Management Office (MPMO) for purposes of, *inter alia*, ensuring effective and timely Project implementation, as well as carrying out internal monitoring and evaluation of the Project at the municipal level;
 - (c) at the county level, a County Project Leading Group (CPLG) and a County Project Management Office (CPMO) for purposes of, *inter alia*, ensuring effective and timely Project implementation, as well as carrying out internal monitoring and evaluation of the Project at the county level;
 - (d) at the township level, Township Project Working Stations to be responsible for the day-to-day execution of the Project in their corresponding areas;
 - (e) at the administrative village level, Project decision making committees to be responsible for reviewing and approving community annual investment plans; and Project supervision committees to be responsible for monitoring, evaluation, and supervision for the activities in their respective administrative villages; and

- (f) at the natural village level, Project implementation groups to be responsible for day-to-day implementation of the Project in their respective natural villages; and Project supervision groups to be responsible for supervision of the Project implementation in their respective natural villages.

Overall Project Implementation

2. The Project Implementing Entities shall each prepare, under guidelines acceptable to the Bank, and furnish to the Bank not later than November 15 in each calendar year for the Bank's review, beginning on November 15, 2010, an annual work program setting forth the activities proposed to be implemented under the Project during the following calendar year. Thereafter, the Project Implementing Entities shall ensure that such program, as shall have been approved by the Bank, shall be implemented with due diligence and efficiency during said following year.
3. The Project Implementing Entities shall apply and cause its Project Counties and its Project Villages to apply, in the implementation of the Project, the CDD Manual, the CDF Manual, the SLMA Manual, and the MLMSF Manual, all in a manner satisfactory to the Bank. The Project Implementing Entities shall not amend, suspend, or waive any of said Manuals or any provision thereof, without the prior concurrence of the Bank.
4. The Project Implementing Entities shall, in carrying out their Respective Parts of the Project, apply the measures and actions set forth in the Environmental and Social Management Framework, and the Policy Framework for Resettlement and Land Acquisition. In addition, in carrying out the activities under the Project, the Project Implementing Entities shall:
 - (a) take measures to avoid or minimize the acquisition of land or assets of people and to avoid the displacement of said people; and
 - (b) where the acquisition of land or assets or the displacement of people is unavoidable, prepare a resettlement plan in accordance with the Policy Framework for Resettlement and Land Acquisition and furnish such plan to the Bank for approval, and thereafter implement the resettlement action plan as approved by the Bank; and prior to the carrying out of the said activity, ensure that all Displaced Persons shall have been compensated in accordance with the provisions of said plan.
5. The Project Implementing Entities shall not amend, suspend, or waive the Environmental Assessment and Social Management Framework, and the Policy Framework for Resettlement and Land Acquisition or any provision thereof, without the prior concurrence of the Bank.

6. Each Project Implementation Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Community Driven Development

7. For the purpose of carrying out Part A.1 of the Project, each Project Implementing Entity shall through a CPMO make available a portion of the proceeds of the amount allocated from time to time under Categories 1(a), 2(a), and 3(a) as the case may be, for such Project Implementing Entity set forth in the table in paragraph A.2 of Section IV of Schedule 2 to the Loan Agreement to a CDD Beneficiary as a CDD Grant in accordance with procedures and on terms and conditions satisfactory to the Bank, including those set out in the CDD Manual and the provisions set out herein.
8. Unless the Bank shall otherwise agree, each Project Implementing Entity shall provide CDD Grants to CDD Beneficiaries selected in accordance with criteria and procedures set forth in the CDD Manual. The eligibility criteria for the CDD Beneficiaries shall include the following, among others: at the administrative village, the relevant Project Village has established a Project decision making committee to be responsible for reviewing and approving community annual investment plans; and a Project supervision committee to be responsible for monitoring, evaluation, and supervision for the activities in its respective administrative village; and at the natural village level, the relevant Project Village has established a Project implementation group to be responsible for day-to-day implementation of the Project in its respective natural village; and a Project supervision group to be responsible for supervision of the Project implementation in its respective natural village.
9. Each Project Implementing Entity shall provide CDD Grants to CDD Beneficiaries for CDD Sub-projects that are appraised and selected in accordance with criteria and procedures set out in the CDD Manual, including, among others, the following eligibility criteria:
 - (a) an environmental screening has been carried out for the proposed CDD Sub-project in accordance with the principles set forth in the Environmental and Social Management Framework and said CDD Sub-project is in compliance with the environmental standards set out in said Framework and with all applicable laws and regulations of the Borrower relating to environmental protection;
 - (b) if the proposed CDD Sub-project involves involuntary acquisition of land, a resettlement action plan has been prepared in accordance with the principles set out in the Policy Framework for Resettlement and Land Acquisition; and

- (c) the proposed CDD Sub-project supports the development of basic rural infrastructure in poor villages.
- 10. Each Project Implementing Entity shall cause each of its Project villages to furnish annual community development plans including its CDD Sub-project proposals to its respective CPMO for review and approval, prior to signing of CDD Grant Agreements for carrying out said CDD Sub-projects.
- 11. Each Project Implementing Entity shall enter into an agreement or make other legal arrangements with a CDD Beneficiary on terms and conditions acceptable to the Bank, which shall include the following:
 - (a) Each CDD Grant shall be made on a non-repayable basis and without fees and charges of any kind.
 - (b) Each Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Borrower and the Bank through a CDD Grant Agreement between a CPMO and a CDD Beneficiary, including the right to:
 - (i) suspend or terminate the right of the CDD Beneficiary to use the proceeds of the CDD Grant, or obtain a refund of all or any part of the amount of the CDD Grant then withdrawn, upon the CDD Beneficiary's failure to perform any of its obligations under the CDD Grant Agreement; and
 - (ii) require each CDD Beneficiary to:
 - (A) carry out its CDD Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including the provisions of the Anti-Corruption Guidelines, the CDD Manual, the Environmental and Social Management Framework and the Policy Framework for Resettlement and Land Acquisition;
 - (B) provide, promptly as needed, the resources required for carrying out the CDD Sub-project;
 - (C) procure the goods, works and services to be financed out of the CDD Grant in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, the relevant provisions of the CDD Manual, and use such

goods, works, and services exclusively for the CDD Sub-project;

- (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the CDD Sub-project and the achievement of its objectives;
 - (E) maintain financial records adequate to reflect the operations, resources and expenditures related to the CDD Sub-project;
 - (F) enable the Borrower, the Bank and the Project Implementing Entity to inspect the CDD Sub-project, its operation and any relevant records and documents; and
 - (G) prepare and furnish to the Borrower, the Bank and the Project Implementing Entity all such information as the Borrower or the Bank or the Project Implementing Entity shall reasonably request relating to the foregoing.
12. Each Project Implementing Entity shall exercise its rights under each CDD Grant Agreement in such manner as to protect the interests of the Borrower, the Bank and the Project Implementing Entity and to accomplish the purposes of the CDD Grant. Except as the Borrower and the Bank shall otherwise agree, the Project Implementing Entities shall not assign, amend, abrogate or waive any provisions of any CDD Grant Agreement.

Community Development Financing

13. For the purpose of carrying out Part B.1 of the Project, each Project Implementing Entity shall make available a portion of the proceeds of the amount allocated from time to time under Categories 1(b), 2 (b) and 3(b) for such Project Implementing Entity set forth in the table in paragraph A.2 of Section IV of Schedule 2 to the Loan Agreement to a "Community Cooperative" for providing CDF Sub-grants and/or CDF Sub-loans to CDF Beneficiaries for carrying out CDF Sub-projects in accordance with procedures and on terms and conditions satisfactory to the Bank, including those set out in the CDF Manual and the provisions set out herein.
14. Each Project Implementing Entity shall not permit a Community Cooperative to receive a CDF until: (a) the Community Cooperative has been legally established and registered in accordance with the relevant laws of the Borrower and of the Project Implementing Entity; and (b) such Community Cooperative has been staffed in personnel in adequate numbers with qualifications and experience and

under terms of the reference satisfactory to the Project Implementing Entity and the Bank; and (c) such Community Cooperative's personnel has been trained in the application of the CDF Manual, including the financial management and accounting procedures contained therein.

15. Each Project Implementing Entity shall provide CDFs to Community Cooperatives established by it in accordance with the provisions of CDF Agreements on terms and conditions acceptable to the Bank, which shall include the following:
 - (a) The CDFs shall be made on a non-repayable basis and without fees and charges of any kind.
 - (b) The Community Cooperative shall utilize the proceeds of CDFs to provide CDF Sub-grants and/or CDF Sub-loans to CDF Beneficiaries selected in accordance with criteria and procedures set forth in the CDF Manual.
 - (c) The Community Cooperative shall provide CDF Sub-grants and/or CDF Sub-loans to CDF Beneficiaries for CDF Sub-projects that are selected in accordance with criteria and procedures set out in the CDF Manual, including, among others, the following eligibility criteria:
 - (i) an environmental screening has been carried out for the proposed CDF Sub-project in accordance with the principles set forth in the Environmental and Social Management Framework and said CDF Sub-project is in compliance with the environmental standards set out in said Framework and with all applicable laws and regulations of the Borrower relating to environmental protection;
 - (ii) if the proposed CDF Sub-project involves involuntary acquisition of land, a resettlement action plan has been prepared in accordance with the principles set out in the Policy Framework for Resettlement and Land Acquisition; and
 - (iii) the proposed CDF Sub-project supports household-level productive activities.
 - (d) The Community Cooperative shall furnish annual community development plans including CDF Sub-project proposals to its respective County PMU for review and approval, prior to signing of CDF Sub-grant Agreements and/or CDF Sub-loan Agreements for carrying out CDF Sub-projects.

- (e) (1) The Community Cooperative 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, resources and expenditures related to the CDF Sub-grants and/or CDF Sub-loans; and (2) at the Bank's or the Borrower's or the Project Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and the Project Implementing Entity.
- (f) The Community Cooperative shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the CDF Sub-projects and the achievement of their objectives.
- (g) The Community Cooperative shall enable the Borrower, the Bank and the Project Implementing Entity to inspect the CDF Sub-projects, their operation and any relevant records and documents.
- (h) The Community Cooperative shall prepare and furnish to the Borrower, the Bank and the Project Implementing Entity all such information as the Borrower or the Bank or the Project Implementing Entity shall reasonably request relating to the CDF Sub-projects.
- (i) Each Project Implementing Entity shall retain the right to: (i) supervise the operations of the Community Cooperative in accordance with criteria and procedures as set out in the CDF Manual; and (ii) suspend or terminate the right of the Community Cooperative to use the proceeds of the CDFs, or obtain a refund of all or any part of the amount of the CDFs then withdrawn, upon the Community Cooperative's failure to perform any of its obligations under the CDF Agreements. Except as the Borrower and the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any provisions of any CDF Agreement.
- (j) The Community Cooperative shall utilize the proceeds of CDFs to provide CDF Sub-grants and/or CDF Sub-loans to CDF Beneficiaries for carrying out CDF Sub-projects in accordance with the provisions of CDF Sub-grant Agreements and/or Sub-loan Agreements setting out the procedures, criteria, and terms and conditions satisfactory to the Bank, including the following:
 - (i) each CDF Sub-grant shall be made on a non-repayable basis and without fees and charges of any kind;

- (ii) Each CDF Sub-loan shall be repaid in accordance with the requirements of the CDF Manual; and
- (iii) the Community Cooperative shall obtain rights adequate to protect its interests and those of the Borrower, the Project Implementing Entity and the Bank, including the right to:
 - (A) suspend or terminate the right of the CDF Beneficiary to use the proceeds of the CDF Sub-grant or the CDF Sub-loan, or obtain a refund of all or any part of the amount of the CDF Sub-grant or the CDF Sub-loan then withdrawn, upon the CDF Beneficiary's failure to perform any of its obligations under the CDF Sub-grant Agreement or Sub-loan Agreement;
 - (B) require each CDF Beneficiary to:
 - (aa) carry out its CDF Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including the provisions set out in the Anti-corruption Guidelines, the CDF Manual, the Financial Management Manual, the Environmental and Social Management Framework, and the Policy Framework for Resettlement and Land Acquisition;
 - (bb) provide, promptly as needed, the resources required for carrying out the CDF Sub-project;
 - (C) procure the goods, works and services to be financed out of the CDF Sub-grant and CDF Sub-loan in accordance with the requirements consistent with the provisions in Section III of the Loan Agreement and use such goods, works, and services exclusively for the CDF Sub-project;
 - (D) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the expenditures relating to the CDF Sub-grant or CDF Sub-loan;

- (E) enable the Borrower, the Bank and the Project Implementing Entity to inspect the CDF Sub-project, its operation and any relevant records and documents; and
 - (F) prepare and furnish to the Borrower, the Bank and the Project Implementing Entity all such information as the Borrower or the Bank or the Project Implementing Entity shall reasonably request relating to the foregoing.
- (k) The Community Cooperative shall: (i) supervise CDF Sub-projects in accordance with criteria and procedures as set out in the CDF Manual; and (ii) exercise its rights under each CDF Sub-grant Agreement and CDF Sub-loan Agreement in such manner as to protect the interests of the Borrower, the Bank and the Project Implementing Entity and to accomplish the purposes of the CDF Sub-grant and CDF Sub-loan. Except as the Borrower and the Bank shall otherwise agree, the Community Cooperative shall not assign, amend, abrogate or waive any provisions of any CDF Sub-grant Agreement or CDF Sub-loan Agreement.

Migrant Labor Micro-enterprises Support Financing (MLMSF)

16. For the purpose of carrying out Part C.2 of the Project, Chongqing shall make available a portion of the proceeds of the amount allocated from time to time under Category 1(c) set forth in the table in paragraph A.2 of Section IV of Schedule 2 to the Loan Agreement to a MLMA as a MLMSF to be utilized by the MLMA for providing MLMSF Sub-grants and/or MLMSF Sub-loans to MLMSF Beneficiaries for carrying out MLMSF Sub-projects in accordance with procedures and on terms and conditions satisfactory to the Bank, including those set out in the MLMSF Manual and the provisions set out herein.
17. Chongqing shall not permit a MLMA to receive a MLMSF until: (a) the MLMA has been legally established and registered in accordance with the relevant laws of the Borrower and of the Project Implementing Entity; and (b) such MLMA has been staffed in personnel in adequate numbers with qualifications and experience and under terms of the reference satisfactory to the Project Implementing Entity and the Bank; and (c) such MLMA's personnel has been trained in the application of the MLMSF Manual, including the financial management and accounting procedures contained therein.
18. Chongqing shall provide a MLMSF to a MLMA meeting the eligibility criteria set out in paragraph 17 above in accordance with the provisions of the MLMSF Agreement on terms and conditions acceptable to the Bank, which shall include the following:

- (a) The MLMSFs shall be made on a non-repayable basis and without fees and charges of any kind.
- (b) The MLMA shall utilize the proceeds of the MLMSFs to provide MLMSF Sub-grants and/or MLMSF Sub-loans to MLMSF Beneficiaries selected in accordance with criteria and procedures set forth in the MLMSF Manual, including the following:
 - (i) said MLMSF Beneficiary has the relevant training, skills, or experience in carrying out a MLMSF Sub-project;
 - (ii) said MLMSF Beneficiary is below certain income threshold based on the relevant government guidelines; and
 - (iii) said MLMSF Beneficiary is a member of a MLMA.
- (c) The MLMSA shall provide MLMSF Sub-grants and/or MLMSF Sub-loans to MLMSF Beneficiaries for MLMSF Sub-projects that are appraised and selected in accordance with criteria and procedures set out in the MLMSF Manual, including, among others, the following eligibility criteria:
 - (i) an environmental screening has been carried out for the proposed MLMSF Sub-project in accordance with the principles set forth in the Environmental and Social Management Framework and said MLMSF Sub-project is in compliance with the environmental standards set out in said Framework and with all applicable laws and regulations of the Borrower relating to environmental protection;
 - (ii) if the proposed MLMSF Sub-project involves involuntary acquisition of land, a resettlement action plan has been prepared in accordance with the principles set out in the Policy Framework for Resettlement and Land Acquisition;
 - (iii) the proposed MLMSF Sub-project is technically feasible, and economically, financially and commercially viable; and
 - (iv) the proposed MLMSF Sub-project provides financial support to migrant workers' micro-enterprises.
- (d) The MLMSA shall furnish annual development plans including MLMSF Sub-project proposals and appraisal documents to its respective PMU in Chongqing Municipality for review and approval, prior to signing of

MLMSF Sub-grant Agreements or the MLMSF Sub-loan Agreements for carrying out MLMSF Sub-projects.

- (e) The MLMA shall:
 - (i) 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 MLMSF Sub-grants and MLMSF Sub-loans; and
 - (ii) at the Bank's or the Borrower's or, Chongqing's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and Chongqing.
- (f) The MLMA shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the MLMSF Sub-projects and the achievement of their objectives.
- (g) The MLMA shall enable the Borrower, the Bank and Chongqing to inspect the MLMSF Sub-projects, their operations and any relevant records and documents.
- (h) The MLMA shall prepare and furnish to the Borrower, the Bank, or Chongqing all such information as the Borrower or the Bank or Chongqing shall reasonably request relating to the MLMSF Sub-projects.
- (i) Chongqing shall retain the right to:
 - (i) supervise the operations of the MLMSA in accordance with criteria and procedures satisfactory to the Bank, including those set out in the MLMSF Manual; and
 - (ii) suspend or terminate the right of the MLMSA to use the proceeds of MLMSFs, or obtain a refund of all or any part of the amount of the MLMSFs then withdrawn, upon the MLMSA's failure to perform any of its obligations under a MLMSF Agreement. Except as the Borrower and the Bank shall otherwise agree, Chongqing shall not assign, amend, abrogate or waive any provisions of any MLMSF Agreement.

- (j) The MLMSA shall enter into an agreement or make other legal arrangements with each MLMSF Beneficiary setting out the procedures, criteria, and terms and conditions satisfactory to the Bank, including the following:
 - (i) each MLMSF Sub-grant shall be made on a non-repayable basis and without fees and charges of any kind;
 - (ii) each MLMSF Sub-loan shall be repaid in accordance with the requirements of the MLMSF Manual;
 - (iii) the MLMA shall obtain rights adequate to protect its interests and those of the Borrower, Chongqing and the Bank, including the right to:
 - (A) suspend or terminate the right of the MLMSF Beneficiary to use the proceeds of the MLMSF Sub-grant or MLMSF Sub-loan, or obtain a refund of all or any part of the amount of the MLMSF Sub-grant or MLMSF Sub-loan then withdrawn, upon the MLMSF Beneficiary's failure to perform any of its obligations under the MLMSF Sub-grant Agreement or the MLMSF Sub-loan Agreement; and
 - (B) require each MLMSF Beneficiary to:
 - (aa) carry out its MLMSF Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, social and environmental standards and practices satisfactory to the Bank, and in accordance with the provision of the Anti-Corruption Guidelines and the requirements set out in the MLMSF Manual, the Financial Management Manual, the Environmental and Social Management Framework and Policy Framework for Resettlement and Land Acquisition;
 - (bb) provide, promptly as needed, the resources required for carrying out the MLMSF Sub-project;
 - (C) procure the goods, works and services to be financed out of the MLMSF Sub-grant and MLMSF Sub-loan in

accordance with the provisions of the Project Agreement and use such goods, works, and services exclusively for the MLMSF Sub-project;

- (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the MLMSF Sub-project and the achievement of its objectives;
 - (E)
 - (aa) 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 MLMSF Sub-project; and
 - (bb) at the Bank's or the Borrower's or Chongqing's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and Chongqing;
 - (F) enable the Borrower, the Bank and Chongqing to inspect the MLMSF Sub-project, its operation and any relevant records and documents; and
 - (G) prepare and furnish to the Borrower, the Bank and Chongqing all such information as the Borrower or the Bank or Chongqing shall reasonably request relating to the foregoing.
- (k) The MLMSA shall:
- (i) supervise MLMSF Sub-projects in accordance with criteria and procedures satisfactory to the Bank, including those set out in the MLMSF Manual; and
 - (ii) exercise its rights under each MLMSF Sub-grant Agreement and MLMSF Sub-loan Agreements in such manner as to protect the interests of the Borrower, the Bank and Chongqing and to accomplish the purposes of the MLMSF Sub-grant or MLMSF Sub-loan. Except as the Borrower and the Bank shall otherwise

agree, the MLMSA shall not assign, amend, abrogate or waive any provisions of any MLMSF Sub-grant Agreement or MLMSF Sub-loan Agreement.

19. Chongqing shall exercise its rights under each MLMSF Agreement in such manner as to protect the interests of the Borrower, the Bank and Chongqing and to accomplish the purposes of the MLMSF. Except as the Borrower and the Bank shall otherwise agree, Chongqing shall not assign, amend, abrogate or waive any provisions of any MLMSF Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Each Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts 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 Annex 1 to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Borrower not later than ninety (90) days after the end of the period covered by such report for incorporation and forwarding by the Borrower, through the CPCO to the Bank of the overall Project Report.
2. Each 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. Each 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 Respective Parts of the Project.
2. Each Project Implementing Entity shall apply in the implementation of the Project the Financial Management Manual for implementing the financial management system referred to in B.1 above including financial management reports, all in a manner satisfactory to the Bank. The Project Implementing Entity shall not amend, waive, suspend, abrogate or cancel the Financial Manual or any provision therein without the prior approval by the Bank.

3. Each 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.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan and the Co-financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

**ANNEX 1
to
SCHEDULE**

Project Performance Indicators

Project Development Objectives	Project Outcome Indicators	Use of Project Outcome Information
Explore and pilot more effective and innovative ways of providing poverty reduction assistance to the poorest communities and households through CDD and participatory approaches.	<p>Chinese Government acknowledges importance of CDD and participatory approaches for future poverty alleviation and rural development.</p> <p>80% satisfaction rate among beneficiaries regarding (a) project impact on income levels and well-being, and (b) CDD approach.</p>	Determine whether project has been successful in (a) influencing national policy, (b) empowering project communities' to determine their own development, and (c) improving the income levels and well-being of beneficiaries.
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p>Component One: CDD Widespread participation of villagers in design, implementation and management of development plans.</p> <p>Improvement in access to drinking water, power, roads, and other basic infrastructure and services.</p> <p>Poorest households' dangerous housing (or cave dwellings) improved.</p>	<p>Funds transferred to project villages as % of available approved funds.</p> <p>Funds transferred to the poorest natural villages at least equal to the average for all natural villages in the community.</p> <p>Women as % of participants in village project management groups.</p> <p>% of infrastructure works found to be satisfactory in the "yanshou" quality review.</p> <p>% of project activities with specific arrangements for maintenance and management.</p> <p>Villages which have completed their multiyear development plans as % of all project villages.</p>	<p>Determine whether there is a need to adjust procedures or plans for participatory approach and planning or encourage increased participation.</p> <p>Assess and evaluate whether project is in accordance with the needs and desires of the communities and villagers.</p> <p>Assess the quality of construction.</p>

<p>Component Two: CDF Empowered communities (better capacity of self-governance and self-development) through managing CDF and increased farmers' income through successfully utilizing assistance provided by CDF.</p>	<p>70% of poorest households benefit from CDF.</p>	<p>Evaluate whether CDF is operating successfully. Evaluate whether poor farmers have benefited from CDF assistance. Evaluate whether the training plan and capacity building program are feasible and practical.</p>
<p>Component Three: Rural Migrants Support New and innovative approaches targeted at providing better services to rural migrants are introduced, piloted, and ready for scaling-up.</p>	<p>Number of vocational trainings completed (person/times). Employment rate after vocational training. Two Migrant Workers Service Centers established, and annual increase in provision of services to members.</p>	<p>Evaluate the performance of the "integrated" approach to migrant service provision and identify areas for improvement.</p>
<p>Component Five: Management and M&E Establish the project management and M&E system at all levels. Increase staff capacity and training at all levels, and improve project implementation performance.</p>	<p>Effective and comprehensive project management and M&E system established within 6 months of project effectiveness.</p>	<p>Determine whether institution building program has helped establish sufficient capacity for successful project management and M&E.</p>
<p>GEF Global Objective</p>		
<p>To demonstrate improved sustainable land management through innovative community pilots addressing vulnerability to climate change in poor rural areas for mainstreaming into the CDD approach.</p>		
<p>Component Four: Sustainable Land Management and Adaptation (GEF global objective) Increased capacity of local governments and communities to implement sustainable land management and adaptation activities.</p>	<p>70% of all pilot villages successfully completed village assessments and resource mapping and identified adaptation needs. 50% of pilot villages implement innovative adaptation measures based on application of new assessment tools. Number of adaptation innovations introduced into CDD menu.</p>	<p>To determine whether adjustments are needed in village assessment tools and to identify – through evaluation of pilot implementation – suitable adaptation activities for inclusion into the menu of CDD eligible activities project wide.</p>

<p>Pilot indicators for sustainable land management, climate change vulnerability, and adaptation formulated for consideration in national poverty monitoring.</p>	<p>Number of indicators formulated covering land management, climate change vulnerability, adaptation and coping range.</p>	<p>To strengthen inter-sector coordination and facilitate recognition of poverty-vulnerability-adaptation linkage in national poverty agenda.</p>
<p>Improved carbon sequestration in SLMA pilot villages.</p>	<p>Carbon stock increased by 5% across all pilot SLMA villages; equivalent to an estimated total of 96,000 tons of carbon (or 40,000 tons of carbon for total project area).</p>	