

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4832-CHA

Loan Agreement

(Changjiang and Pearl River Watershed Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 31, 2006

LOAN AGREEMENT

Agreement dated July 31, 2006, 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 one hundred million Dollars (\$100,000,000) ("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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

- 2.05. 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, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 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.
- 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 – REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) (i) Subject to subparagraph (ii) of this paragraph: the right of the Borrower to withdraw the proceeds of the EC Grant made to the Borrower for the financing of a portion of Parts A and B of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the EC Trust Fund Grant Agreement;
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds

for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- 4.02. The Additional Events of Acceleration consist of the following:
- (a) The event specified in paragraph (a)(i) of Section 4.01 of this Agreement shall occur, subject to the provision of paragraph (a)(ii) of that Section.

ARTICLE V – EFFECTIVENESS

- 5.01. The Additional Conditions of Effectiveness consists of the following:
- (a) that the EC Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of the Loan Agreement) have been fulfilled.
- 5.02. The Additional Legal Matters consist of the following:
- (a) that the Project Agreement has been duly authorized or ratified by each of the Project Implementing Entities and is legally binding upon each of the Project Implementing Entities in accordance with its terms.
 - (b) that the EC Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of the Loan Agreement) have been fulfilled.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance.
- 6.02. The Borrower's Address is:

Ministry of Finance
Sanlihe

Beijing 100820
People's Republic of China

Facsimile:

(86-10) 68 55 11 25

6.03. 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/ Yang Shaolin

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Hsiao-Yun Elaine Sun

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower to improve farmers' livelihoods and protect the environment in poor and highly degraded watersheds of the Changjiang and Pearl River Basins by promoting an integrated and replicable model of sustainable rural development.

The Project consists of the following parts:

Part A: Soil and Water Conservation

Carrying out a program of investments to enhance soil and water conservation in selected poor and degraded watersheds of the Changjiang and Pearl River Basins, including:

1. Carrying out of capital farmland investments, including construction of stone wall terraces particularly in areas with thin layers of soil and irrigation.
2. Construction of sediment retention and control structures to regulate the flow of water in the tributary gullies of the major rivers.
3. Afforestation and the provision of vegetative coverage, including planting of trees and shrubs, and the protection of areas for natural re-vegetation.
4. Construction of village infrastructure facilities, including drinking water supply systems, small water reservoirs, improvement of field access roads and field tracks.

Part B: Livelihood Improvements

Carrying out a program to improve the income and livelihood of farmers in selected poor and degraded watersheds of the Changjiang and Pearl River Basins, including:

1. Terracing of slope land through the construction of earth faced terraces.
2. Development of horticulture and fruit and nut trees and other perennial crops of high value.

3. Development of improved fodder production, including establishment of perennial grass land and legumes.
4. Development of livestock production units.
5. Construction of irrigation and drainage facilities based on small-scale tanks and cisterns.
6. Increasing renewable energy supply through small-scale bio-gas production facilities and energy saving ovens.

Part C: Project Management and Support Services

Carrying out a program to strengthen the capacities of selected agencies of the Participating Implementing Entities in the implementation and monitoring of the various activities under the Project and training of Project beneficiaries in selected aspects relating to soil and water conservation and livelihood improvements under Parts A and B of the Project.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. **Onlending Arrangements.**

1. The Borrower shall make available to the Project Implementing Entities the proceeds of the Loan allocated from time to time to Categories (1), (2), (3), (4) and (5) of the table in Section IV of this Schedule, in the following principal amounts: to Chongqing an amount not to exceed in the aggregate \$24,937,500 equivalent, to Guizhou an amount not to exceed in the aggregate \$34,912,500 equivalent, to Hubei an amount not to exceed in the aggregate \$19,950,000 equivalent, and to Yunnan an amount not to exceed in the aggregate \$19,950,000 equivalent, on the following principal terms:

- (i) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
- (ii) The following shall be recovered over a period of twenty (20) years, inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) an amount equal to the fee paid pursuant to Section 2.04 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 2.05 of this Agreement.
- (iv) A commitment fee shall be charged on such principal amount of the Loan so made available and not withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum.

B. **Institutional Arrangements.**

1. The Borrower shall maintain throughout the period of implementation of the Project:

(a) the Central Project Leading Group within its Ministry of Water Resources, chaired by the Vice-Minister, MWR, for purposes of providing overall policy support and guidance on Project implementation at the central level, coordinating as needed with other line ministries and agencies of the Borrower at the central level, and disseminating the lessons learned through the implementation of the Project;

(b) the Central Project Coordination Office within its Ministry of Water Resources, headed by a qualified and experienced officer at Director level and assigned with such powers, funds, staffing and other resources as shall be required to enable the CPCO to coordinate at the central level the decisions taken by the Central Project Leading Group; and

(c) the Central Project Implementation Office within its Changjiang Water Resources Commission, headed by a qualified and experienced officer at Director level and assigned with such powers, funds, staffing and other resources as shall be required to enable the CPIO to coordinate the overall implementation of the Project.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports.

1. The Borrower shall 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 Annex 1 to this Schedule. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month 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 September 30, 2012.

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. The Borrower shall have its Financial Statements 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 fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

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 and National Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding and National Competitive Bidding procedures subject to the following additional procedures:

The procedures to be followed for 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 works contracts estimated to cost more than \$200,000 equivalent but 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 Chongqing, Guizhou, Hubei and Yunnan 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 Chongqing, Guizhou, Hubei and Yunnan.
- (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 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).

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Shopping
(b) Community Participation

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 for goods estimated to cost the equivalent of \$300,000 or more; (b) each contract for works estimated to cost the equivalent of \$1,000,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (e) each contract for consultants' services to be selected on a sole-source basis. 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 this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance 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, inclusive of taxes.

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works under:		
(a) Parts A.1, B.1 and B.3 of the Project for:		
(i) Chongqing	1,961,000	
(ii) Guizhou	5,341,000	40%
(iii) Hubei	2,168,000	
(iv) Yunnan	2,158,000	
(b) Part A.3 of the Project for:		
(i) Chongqing	2,596,000	
(ii) Guizhou	2,941,000	80%
(iii) Hubei	1,540,000	
(iv) Yunnan	1,715,000	
(c) Parts A.4, and B.2 and B.5 of the Project for:		
(i) Chongqing	12,743,000	
(ii) Guizhou	12,755,000	50%
(iii) Hubei	8,634,000	
(iv) Yunnan	7,778,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(d) Parts B.4 and B.6 of the Project for:		
(i) Chongqing	5,504,000	
(ii) Guizhou	10,870,000	60%
(iii) Hubei	5,698,000	
(iv) Yunnan	5,966,000	
(2) Goods under Part C of the Project for :		
(i) Chongqing	765,000	
(ii) Guizhou	1,012,000	100%
(iii) Hubei	457,000	
(iv) Yunnan	704,000	
(3) Consultants' services under Part C of the Project for:		
(i) Chongqing	73,000	
(ii) Guizhou	102,000	100%
(iii) Hubei	58,000	
(iv) Yunnan	58,000	
(4) Training and study tours overseas under Part C of the Project for:		
(i) Chongqing	615,000	
(ii) Guizhou	861,000	100%
(iii) Hubei	492,000	
(iv) Yunnan	492,000	
(5) Unallocated for:		
(i) Chongqing	680,500	
(ii) Guizhou	1,030,500	
(iii) Hubei	903,000	
(iv) Yunnan	1,079,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(6) Frond-end Fee (0.25%)	250,000	Amount due under Section 2.04 of this Agreement
TOTAL	<u>100,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$10,000,000 equivalent may be made for payments made prior to this date but on or after April 1, 2006, for Eligible Expenditures under Categories (2), (3) and (4).
 - (b) in respect of expenditures under Category 1 to be made on the basis of output unit costs set forth in the Annex 2 to this Schedule, unless the Borrower, through the relevant Financial Bureau of each Project Implementing Entity, has certified in a manner satisfactory to the Bank of achievements of one or more of the output units listed in the said Annex.
2. The Closing Date is June 30, 2012.

Annex 1

Performance Indicators

Outcome Indicator	Baseline	Target Values	
		Year 3	Year 6
Farmer income:			
Net income (RMB/year/capita)	1,567	1,600	2,150
farm land productivity (RMB/ha)	8,550	5,347	16,724
Outreach/equity to population in project area:			
percentage of beneficiaries out of total households in project areas	0	20%	60%
percentage of ethnic minority beneficiary households out of total minority households	0	22%	66%
Erosion reduction by the reduced amount of silt inflow in downstream river systems (million tons/annum)	0	1.0	5.2
Total amount of carbon sequestered through increases in the amount of biomass (million tons)	0	0.14	0.58
Replicability and sustainability			

Annex 2

Unit Costs and Disbursement Rates

	Output Units	Unit	Output Unit Cost US\$	Disbursement from WB loan in % of unit cost	Disbursement from WB loan in US\$ per Unit
A.1	Stone wall terraces	Ha	5,146	40%	2,059
A.3	Afforestation & vegetation cover				
	Poplar	Ha	428	80%	342
	Leucaena glauca	Ha	283	80%	226
	Cypress	Ha	244	80%	195
	Masson Pine	Ha	237	80%	190
	Japan Cedar	Ha	199	80%	159
	Cedar	Ha	211	80%	169
	Catalpa Bungei	Ha	237	80%	190
	Amorpha (Amorpha fruiicosa)	Ha	305	80%	244
	Privet	Ha	321	80%	257
	Silver Chain	Ha	321	80%	257
	Chinese toon	Ha	303	80%	243
B.1	Earth Terraces	Ha	1,231	40%	493
B.2	Economic Trees & Fruit and Nut orchard				
	Pear	Ha	1,220	50%	610
	Peach	Ha	1,148	50%	574
	Citrus	Ha	1,146	50%	573
	Plum	Ha	1,148	50%	574
	Kernel Apricot	Ha	1,074	50%	537
	Loquat	Ha	1,220	50%	610
	Kiwi	Ha	863	50%	432
	Persimmon	Ha	1,220	50%	610
	Longan	Ha	640	50%	320
	Mango	Ha	772	50%	386
	Cherry	Ha	1,220	50%	610
	Walnut	Ha	923	50%	462
	Chinese Chestnut	Ha	923	50%	462
	Prickly ash	Ha	279	50%	140

Output Units	Unit	Output Unit Cost US\$	Disbursement from WB loan in % of unit cost	Disbursement from WB loan in US\$ per Unit
Tea	Ha	1,761	50%	880
Indian Neem	Ha	296	50%	148
Sisal	Ha	231	50%	115
Eucalyptus	Ha	510	50%	255
Gingko	Ha	1,076	50%	538
Bamboo	Ha	1,076	50%	538
Mulberry	Ha	823	50%	412
Sumac	Ha	691	50%	345
Encomia Ulmoides	Ha	461	50%	230
Honeysuckle	Ha	496	50%	248
Zhiguo	Ha	824	50%	412
B.3 Grass	Ha			
Perennial Ryegrass	Ha	358	40%	143
Lucerne	Ha	461	40%	185
B.4 Livestock Household Units				
Cattle	HH	525	60%	315
Cross-breeding Calf	HH	758	60%	455
Sheep/Goats (pen-fed only)	HH	778	60%	467
Pig	HH	292	60%	175
B.6 Renewable Energy				
Biogas pits	No.	172	60%	103
Energy saving oven	No.	41	60%	24

HH means Household; Ha means Hectare; No. means Number of units

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principle
March 15, 2012	2,240,000
September 15, 2012	2,295,000
March 15, 2013	2,355,000
September 15, 2013	2,420,000
March 15, 2014	2,480,000
September 15, 2014	2,545,000
March 15, 2015	2,610,000
September 15, 2015	2,680,000
March 15, 2016	2,750,000
September 15, 2016	2,820,000
March 15, 2017	2,895,000
September 15, 2017	2,970,000
March 15, 2018	3,050,000
September 15, 2018	3,130,000
March 15, 2019	3,210,000
September 15, 2019	3,295,000
March 15, 2020	3,380,000
September 15, 2020	3,470,000
March 15, 2021	3,560,000
September 15, 2021	3,650,000
March 15, 2022	3,745,000
September 15, 2022	3,845,000
March 15, 2023	3,945,000
September 15, 2023	4,050,000
March 15, 2024	4,155,000
September 15, 2024	4,260,000
March 15, 2025	4,375,000
September 15, 2025	4,485,000
March 15, 2026	4,605,000
September 15, 2026	4,730,000

APPENDIX

Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Central Project Coordination Office” and the acronym “CPCO” mean the office established within the Ministry of Water Resources on September 15, 2004, and to be maintained according to the provisions of paragraph B.1(b), Section I, Schedule 2 to this Agreement.
3. “Central Project Implementation Office” and the acronym “CPIO” mean the office established within the Borrower’s Changjiang Water Resources Commission on April 13, 2005, and to be maintained according to the provisions of paragraph B.1(c), Section I, of Schedule 2 to this Agreement.
4. “Central Project Leading Group” and the acronym “CPLG” mean the group established within the Ministry of Water Resources on September 15, 2004, and to be maintained according to the provisions of paragraph B.1(a), Section I, Schedule 2 to this Agreement.
5. “Chongqing” means the Borrower’s Municipality of Chongqing, and any successor thereto.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
7. “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.

8. “EC Trust Fund Grant Agreement” means the agreement of even date herewith entered into between the People’s Republic of China and the Bank acting as Administrator of Grant Funds provided by the European Community represented by the European Commission for purposes of the EC Grant.
9. “EC Grant” means the grant in an amount of □9,800,000 provided by the European Community represented by the European Commission to the People’s Republic of China to assist in financing Parts A and B of the Changjiang and Pearl River Watershed Rehabilitation Project, pursuant to the EC Trust Fund Grant Agreement.
10. “Environmental Assessment” and the acronym “EA” mean the document dated November 22, 2005 adopted by the Ministry of Water Resources and the Project Implementing Entities, setting forth, inter alia, the assessment of environmental impacts of the Project, 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; as said EA may be amended from time to time with the prior agreement of the Bank.
11. “Euro” and “□” each means the lawful currency of the European Community.
12. “Financial Bureau” means collectively the Chongqing Finance Bureau of Chongqing Municipality, the Department of Finance of Guizhou Province, Finance Bureau of Hubei Province and Finance Bureau of Yunnan Province.
13. “Financial Manual” means collectively the Financial Manuals adopted by Chongqing, Hubei, Guizhou and Yunnan, dated February 17, 2006, February 24, 2006, February 13, 2006, and February 16, 2006, respectively, and which sets out the policies and procedures for establishing and maintaining a financial management system to be implemented by Chongqing, Hubei, Guizhou and Yunnan, respectively, in the carrying out of the Project.
14. “Forestry Guidelines” means the guidelines dated December 13, 2005, adopted by the Ministry of Water Resources and the Project Implementing Entities, which sets out the policies and procedures for forestry related

matters under the Project, as said guidelines may be revised from time to time with the prior agreement of the Bank.

15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
16. “Guidelines for Dam Safety” means the guidelines dated December 14, 2005, adopted by the Ministry of Water Resources and the Project Implementing Entities, consisting of a Dam Safety Review Guidelines, Small Dam Safety Review Guidelines, Guide for Operation and Maintenance of Dams and Guidelines for Emergency Preparedness Plan, which sets out the policies and procedures for safety of dams under the Project, and for the preparation of specific safety of dams action plans whenever required during the implementation of the Project, as said guidelines may be revised from time to time with the prior agreement of the Bank.
17. “Guizhou” means the Borrower’s Province of Guizhou, and any successor thereto.
18. “Hubei” means the Borrower’s Province of Hubei, and any successor thereto.
19. “Ministry of Water Resources” and the acronym “MWR” means the Borrower’s Ministry of Water Resources or any successor thereto.
20. “Minorities Nationalities Development Plan” means the development plan dated November 1, 2005, adopted by the Ministry of Water Resources and the Project Implementing Entities, setting forth the measures and actions to be taken during the implementation of the Project for: (i) the informed involvement of minorities nationalities, through a process of informed consultation and participation, in the design and implementation of activities under the Project to be, or being, carried out in a location or locations in which such people reside or use for their livelihood; and (ii) designing and implementing mitigation measures on possible impacts of the Project on minorities nationalities which are socially and culturally acceptable to them; as such Development Plan may be amended from time to time with the prior agreement of the Bank.
21. “Participatory Watershed Manual” means the manual dated December 30, 2005, adopted by the Ministry of Water Resources and the Project

Implementing Entities, as said manual may be amended from time to time with the prior agreement of the Bank.

22. “Pest Management Plan” means the plan dated December 13, 2005, adopted by the Ministry of Water Resources and the Project Implementing Entities, which sets out the policies and procedures for pest management under the Project, as said management plan may be revised from time to time with the prior agreement of the Bank.
23. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
24. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 24, 2006 and 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.
25. “Project Agreement” means the agreement between the Bank and Chongqing, Guizhou, Hubei and Yunnan, and any successor thereto of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
26. “Project Implementing Entities” means Chongqing Municipality, Guizhou Province, Hubei Province and Yunnan Province.
27. “Project Implementation Manual” means the manual dated March 12, 2006 adopted by the Ministry of Water Resources and the Project Implementing Entities which includes the: (i) Project implementation arrangements; (ii) criteria and procedures for the eligibility of and financing to beneficiaries under the Project; (iii) criteria and procedures to appraise, select, finance and monitor the various activities under the Project; (iv) procurement procedures set forth in Section III Schedule 2 to the Loan Agreement and standard procurement documentation; (v) reporting requirements, financial management procedures and audit procedures as set forth in Section II of Schedule 2 to the Loan Agreement and Section II of the Schedule to the Project Agreement; (vi) the Environmental Assessment referred to in paragraph 10 of the Appendix to this Agreement; (vii) the Financial Manuals referred to in paragraph 13 of the Appendix to the Loan Agreement; (viii) the Forestry Guidelines

referred to in paragraph 14 of the Appendix to the Loan Agreement; (ix) the Minorities Nationalities Development Plan referred to in paragraph 20 of the Appendix to the Loan Agreement; (x) the Participatory Watershed Manual referred to in paragraph 21 of the Appendix to the Loan Agreement; (xi) the Pest Management Plan referred to in paragraph 22 of the Appendix to the Loan Agreement; (xii) the Project Performance Indicators as set forth in the Annex 1 to Schedule 2 to the Loan Agreement and the Schedule to the Project Agreement; (xiii) the Policy Framework for Resettlement and Land Acquisition referred to in paragraph 30 of the Appendix to the Loan Agreement; and (xiv) the Guidelines for Dam Safety referred to in paragraph 16 of the Appendix to the Loan Agreement.

28. “Provincial Project Leading Groups” and the acronym “PPLGs” means the groups established and maintained according to the provisions of paragraph 1(a) of Section I of the Schedule to the Project Agreement.
29. “Provincial Project Management Offices” and the acronym “PPMOs” mean the offices established and maintained according to the provisions of paragraph 1(c), Section I of the Schedule to the Project Agreement.
30. “Policy Framework for Resettlement and Land Acquisition” means the policy framework, dated November 1, 2005, adopted by the Ministry of Water Resources and 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 whenever required during the implementation of the Project, as said policy framework may be revised from time to time with the prior agreement of the Bank.
31. “Provincial Technical Experts Groups” and the acronym “PTEGs” mean the groups established and maintained according to the provisions of paragraph 1(b), Section I of the Schedule to the Project Agreement.
32. “Yunnan” means the Borrower’s Province of Yunnan, and any successor thereto.