

Public Disclosure Authorized

CONFORMED COPY

---

---

GEF GRANT NUMBER TF097173

# Project Agreement

(Shanghai Agricultural and Non-Point Pollution Reduction Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

and

SHANGHAI MUNICIPALITY

Dated September 15, 2010

---

---

## **PROJECT AGREEMENT**

AGREEMENT dated September 15, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”), and SHANGHAI MUNICIPALITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Grant Agreement (“Grant Agreement”) of same date between PEOPLE’S REPUBLIC OF CHINA (“Recipient”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

### **ARTICLE I — DEFINITIONS**

- 1.01. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Agreement or the Standard Conditions.

### **ARTICLE II — PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall: (a) carry out the Project, and cause the PIAs to carry out their Respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, economic, environmental and social standards and practices; and (b) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out, and shall cause to be carried out, the Project in accordance with the provisions of the Schedule to this Agreement.
- 2.03. The Project Implementing Entity shall carry out the obligations set forth in Sections 2.02, 2.03, 2.04 and 2.05 of the Standard Conditions (relating to insurance, land acquisition, use of goods, works and services and maintenance of facilities, and documents and records) in respect of the Project Agreement and the Project.
- 2.04. The Project Implementing Entity shall cooperate fully to assure that the purposes of the Grant and the objective of the Project will be accomplished and (a) at the request of the Bank, exchange views with the Bank with regard to the Project, the Grant, the Sub-Grants, and the performance of its obligations under this Agreement, and furnish to the Bank all such information related to such matters as it shall reasonably request; and (b) promptly inform the Bank of any condition which interferes with, or threatens to interfere with, such matters.

**ARTICLE III — EFFECTIVENESS; TERMINATION**

- 3.01. This Agreement shall come into force and effect on the date upon which the Grant Agreement becomes effective.
- 3.02. This Agreement and all obligations of the Bank and the Project Implementing Entity thereunder shall terminate on the date on which the Grant Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the Project Implementing Entity thereof.
- 3.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation, suspension or refund under the Standard Conditions.

**ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity's Representative is its Mayor or Vice Mayor or such person or persons as said Mayor or Vice Mayor shall designate in writing, and the Project Implementing Entity shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.
- 4.02. 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

- 4.03. The Project Implementing Entity's Address is:

Shanghai APL Project Management Office  
No. 1, Lane 1114  
Liyang Road  
Shanghai 200081  
People's Republic of China

Facsimile:  
86-21-65406094

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

SHANGHAI MUNICIPALITY

By /s/ Hu Yanzhao  
Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Project Management

1. The Project Implementing Entity shall maintain, and cause to be maintained, for purposes of carrying out the Project, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:
  - (a) The Project Coordination Group, chaired by SDRC and including representatives from *inter alia*, SDRC, SFB, SEPB and SAC, which group is responsible for, *inter alia*: (i) providing guidance on municipal policies and priorities concerning agricultural and non-point pollution reduction for the Project; and (ii) integrating the activities of various agencies involved in the Project and ensuring an inter-agency coordinated approach to Project implementation.
  - (b) The Project Management Office, which is responsible for, *inter alia*: (i) serving as the secretariat of the Project Coordination Group; (ii) acting as a coordinating body for the Project activities implemented by various agencies; (iii) implementing Parts D.1 and D.2 of the Project; and (iv) serving as the Project's focal point for communicating with the Bank.
  - (c) The Working Groups, which are responsible for, *inter alia*: (i) assisting the Project Coordination Group in coordinating Project implementation by the PIAs under their respective administration (the "Respective PIAs"); (ii) reviewing any amendments to the original Project proposals of their Respective PIAs, and environmental assessment reports, and submission of such documents to other responsible government agencies for further action, if required; (iii) supervising the progress of Project implementation by their Respective PIAs; (iv) providing policy support and guidance on agricultural and non-point pollution reduction; (v) developing a replication plan within its own jurisdiction that is to be included in the Project's overall replication strategy; and (vi) coordinating and assisting their Respective PIAs in resolving issues arising during Project implementation.

**B. Anti-Corruption**

The Project Implementing Entity shall carry out the Project, and cause the PIAs to carry out their Respective Parts of the Project, in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Resettlement, Environmental Protection and Pest Management**

1. The Project Implementing Entity shall:

- (a) take, and shall cause the PIAs to take, all necessary actions to minimize, to the extent possible, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, in carrying out the Project;
- (b) for this purpose and prior to the commencement of any works under Part B.2 of the Project, implement, and cause Jinze Town and Liantang Town to implement, the Resettlement Action Plan, in a manner satisfactory to the Bank; and
- (c) provide, and cause Jinze Town and Liantang Town to provide, to the Bank for its prior concurrence, any proposed modification or waiver of the Resettlement Action Plan, prior to putting into effect such modification or waiver.

2. The Project Implementing Entity shall:

- (a) implement, and shall cause the PIAs to implement the applicable Environment Management Plan in a manner satisfactory to the Bank and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards; and
- (b) provide, and cause the PIAs to provide, to the Bank for its prior concurrence, any proposed modification or waiver of any of the Environment Management Plans, prior to putting into effect such modification or waiver.

3. The Project Implementing Entity shall:

- (a) implement, and shall cause SATESC to implement, the Pest Management Plan in a manner satisfactory to the Bank and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards; and

- (b) provide, and cause SATESC to provide, to the Bank for its prior concurrence, any proposed modification or waiver of the Pest Management Plan, prior to putting into effect such modification or waiver.
4. The Project Implementing Entity shall, and shall cause the PIAs to:
- (a) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Environment Management Plans, the Pest Management Plan and the Resettlement Action Plan, as applicable, and the achievement of the objectives of said plans, including the engagement of experienced and qualified independent monitoring agencies with terms of reference acceptable to the Bank;
  - (b) include the results of such monitoring and evaluation activities in each report referred to in Section II, paragraph A.1 of this Schedule, together with any revisions proposed to be introduced into such plans in order to achieve their respective objectives; and
  - (c) introduce such revisions into such plans as shall have been agreed with the Bank.

**D. Sub-Grant Agreements**

1. The Project Implementing Entity shall allocate the proceeds of the Grant in accordance with arrangements satisfactory to the Bank for the carrying out of the Respective Parts of the Project, under a Sub-Grant Agreement to be entered into between the Project Implementing Entity and each of the PIAs (except Jinze Town and Liantang Town) under terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in Annex A to this Schedule.
2. The Project Implementing Entity shall:
- (a) cause each PIA (except Jinze Town and Liantang Town) to: (i) perform, in accordance with the provisions of its Sub-Grant Agreement, all of the obligations of said PIA therein set forth; (ii) take or cause to be taken all action including, the provision of funds, facilities, services and other resources, necessary or appropriate to enable such PIA to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance;

- (b) exercise its rights under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient, the Bank and the Project Implementing Entity, and to accomplish the purposes of the Grant; and
- (c) except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any Sub-Grant Agreement or any provision thereof.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 2.06(b) of the Standard Conditions and on the basis of the indicators set forth in Annex B to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by March 31 and September 30 of each year, starting March 31, 2011.
2. The Project Implementing Entity shall provide to the Bank not later than six (6) months after the Closing Date, the report referred to in Section 2.06(b)(ii) of the Standard Conditions.

### **B. Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain, or cause to be maintained, 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 Project.
2. The Project Implementing Entity shall prepare interim unaudited financial reports for the Project and furnish the reports to the World Bank as part of the Project Report not later than three (3) months after the end of each calendar semester, covering the calendar semester, in form and substance satisfactory to the World Bank.
3. The Project Implementing Entity shall have the 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 Recipient 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 Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.

**Section IV. Other Undertakings**

1. (a) The Project Implementing Entity shall carry out the Project, and cause the PIAs to carry out their Respective Parts of the Project, in accordance with the provisions of the Project Implementation Plan.
- (b) The Project Implementing Entity shall not, and shall ensure that the PIAs, do not amend, waive, suspend or abrogate the Project Implementation Plan or any provision thereof, without the prior concurrence of the Bank.
2. (a) The Project Implementing Entity shall carry out the Project, and cause the PIAs to carry out their Respective Parts of the Project, in accordance with the provisions of the Financial Management Manual, which sets forth detailed guidelines on financial management including internal controls, accounting procedures, funds flow arrangements, fund and asset management, withdrawal application procedures, and financial reporting and auditing arrangements, all in accordance with the provisions of Section II, paragraph B of the Schedule to this Agreement.
- (b) The Project Implementing Entity shall not, and shall ensure that the PIAs, do not amend, waive, suspend or abrogate the Financial Management Manual, or any provision thereof, without the prior concurrence of the Bank.

**ANNEX A**  
**to**  
**SCHEDULE**

**Terms and Conditions of the Sub-Grant Agreements**

The terms and conditions of each Sub-Grant Agreement referred to in Section I, paragraph D.1 of the Schedule to this Agreement shall include the following:

1. The principal amount of the Sub-Grant made available by the Project Implementing Entity to each PIA shall be in Dollars.
2. The Sub-Grants shall be made available by the Project Implementing Entity to each PIA on a grant basis for the sole purpose of carrying out each PIA's Respective Parts of the Project.

**General**

3. Each PIA shall undertake to carry out its Respective Parts of the Project with due diligence and efficiency and in accordance with appropriate management, financial, and engineering practices and social, environmental and agricultural standards acceptable to the Bank (including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient), and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and without limitation on the foregoing, take all measures necessary to ensure that its Respective Parts of the Project shall be implemented in accordance with the applicable Resettlement Action Plan, Environment Management Plan and Pest Management Plan.
4. Each PIA shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the Grant in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of its Respective Parts of the Project.
5. Each PIA shall undertake to enable the Bank and the Project Implementing Entity to inspect such goods and the sites and works included in its Respective Parts of the Project, the operation thereof, and any relevant records and documents.
6. Each PIA shall undertake to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed

out of the proceeds of the Grant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods.

7. Each PIA shall undertake to:
- (a) 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 its Respective Parts of the Project;
  - (b) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
  - (c) furnish to the Bank and the Project Implementing Entity, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited; an opinion on such statements by said auditors in such scope and detail as the Bank or the Project Implementing Entity shall have reasonably requested; and
  - (d) prepare and furnish to the Bank and the Project Implementing Entity all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank and/or the Project Implementing Entity shall reasonably request.
8. Each PIA shall undertake to:
- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Annex B to the Schedule to the Project Agreement, the carrying out of its Respective Parts of the Project and the achievement of the objectives thereof; and
  - (b) prepare, under terms of reference satisfactory to the Bank and the Project Implementing Entity, and furnish to the Project Implementing Entity for its review and submission to the Bank in accordance with Section II paragraph A.1 of the Schedule to this Agreement on or about March 31 and September 30 each year, starting March 31, 2011, reports integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this clause 8 on the progress achieved in the carrying out of its Respective Parts of the Project during the preceding

January through June period and preceding July through December period respectively.

9. Each PIA shall undertake:
  - (a) to carry out, its Respective Parts of the Project in accordance with the provisions of the Project Implementation Plan; and
  - (b) not to amend, waive, suspend or abrogate the Project Implementation Plan, in whole or part, without the prior concurrence of the Bank.
  
10. Each PIA shall undertake:
  - (a) to carry out their Respective Parts of the Project, in accordance with the provisions of the Financial Management Manual, which sets forth detailed guidelines on financial management including internal controls, accounting procedures, funds flow arrangements, fund and asset management, withdrawal application procedures, and financial reporting and auditing arrangements; and
  - (b) not to amend, waive, suspend or abrogate the Financial Management Manual, or any provision thereof, without the prior concurrence of the Bank.

**Right to Suspend or Terminate**

11. The Project Implementing Entity shall have the right to suspend or terminate the right of a PIA to the use of the proceeds of the Grant made available under the Sub-Grant Agreement upon: (i) failure by the PIA to perform its obligations under the Sub-Grant Agreement; (ii) the Bank exercising any of the remedies under Article IV of the Standard Conditions and Article IV of the Grant Agreement; or (iii) the PIA is declared ineligible by the Bank under paragraph 11 of the Anti-Corruption Guidelines.

**Right of Restitution**

12. The Project Implementing Entity shall have the right of restitution against the PIA of any amount of the Grant with respect to which fraud and corruption has occurred.

**ANNEX B  
to  
SCHEDULE**

**Indicators**

**Results Framework**

<b>PDO</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
<p>Demonstrate effective and innovative pollution reduction activities in Shanghai's rural areas in order to reduce the rural/ agricultural pollution load (especially nutrients) in the surface water flows to the East China Sea</p>	<ol style="list-style-type: none"> <li>1. Demonstration of pollution reduction technologies</li> <li>2. Reduced pollution of TN, TP, BOD and COD discharged from the sub-project sites in Livestock Waste Management Technology demonstration Component</li> <li>3. Reduced pollution of NH<sub>3</sub>-N, TP, BOD, and COD discharged from the sub-project sites in Wetland Demonstration for Pollution Reduction Component</li> <li>4. Increased replication farm area using demonstrated technologies</li> <li>5. Development of a replication strategy for disseminating demonstrated technologies</li> </ol>	<p>Recommended best practices in planning and implementation of agricultural, non-point, and rural pollution control programs and projects, and dissemination of the outcomes for sustainable development in rural sector</p>

Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<b>Livestock Waste Management Technology Demonstration Component</b>		
Increase collection and treatment of livestock solid and liquid wastes	Average quantity of livestock solid and liquid waste treated at livestock farms in Jinshan, Shenye and Qianwei	Monitoring the progress of physical works and the PIAs operational performances
<b>Wetland Demonstration for Pollution Reduction Component</b>		
Increase collection and treatment of rural household wastewater	Average volume of rural household wastewater treated at wetland wastewater treatment systems in participating villages	Monitoring the progress of physical works and the PIAs operational performances
<b>Integrated Agricultural Pollution Reduction Techniques Component</b>		
Promote proper usage of fertilizers, insecticides and pesticides	<ol style="list-style-type: none"> <li>1. Number of farmers receiving skill development programs on fertilizer, insecticides and pesticides</li> <li>2. Quantity of organic fertilizers used</li> <li>3. Extent of low residue and low toxicity pesticides used</li> <li>4. Usage of green test control techniques</li> </ol>	Monitoring the progress of purchase of equipment, and efficiency and quality of skill development programs.
<b>Project Management and Dissemination Component</b>		
<p>Improve management capacity of PMO and PIAs</p> <p>Promote agricultural pollution reduction techniques through training and workshops</p>	<ol style="list-style-type: none"> <li>1. Number of subprojects satisfactorily implemented</li> <li>2. Number of training courses conducted</li> <li>3. Number of farmers who participated in the training and workshops.</li> </ol>	Monitoring the progress of project management and dissemination programs.

### Arrangements for Results Monitoring

Project Outcome Indicators	Unit	Baseline 2010	Target Values			Data Collection and Reporting		
			YR1 2011	YR2 2012	YR3 2013	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
1. Demonstration of pollution reduction technologies	no.	0	6	8	8	Semi-annual report	PIA	Shanghai PMO
2. Reduced pollution of (a) TN, (b) TP, (c) BOD, and (d) COD discharged from sub-project sites in Livestock Waste Management Technology Demonstration Component	ton/yr	(a) 0 (b) 0 (c) 0 (d) 0	3.53 0.31 70.50 116.58	17.98 4.15 362.41 771.43	30.60 7.80 606.50 1,347.50	Semi-annual report	PIA	Shanghai PMO
3. Reduced pollution of (a) NH3-N, (b) TP, (c) BOD, and (d) COD discharged from sub-project sites in Wetland Demonstration for Pollution Reduction Component	ton/yr	(a) 0 (b) 0 (c) 0 (d) 0	1.46 0.44 23.45 42.50	1.85 0.56 31.26 56.20	1.87 0.57 33.21 59.28	Semi-annual report	PIA	Shanghai PMO
4. Increased replication farm area using demonstrated technologies (cumulative) <sup>1</sup>	mu	0	8,000	16,000	16,000	Semi-annual report	PIA	Shanghai PMO
5. Development of a replication strategy for disseminating demonstrated technologies		none	drafted	reviewed	finalized	Semi-annual report	PIA	Shanghai PMO

<sup>1</sup> The base year for this indicator as well as intermediate outcome indicators related to Integrated Agricultural Pollution Reduction Techniques Component is 2009.

Intermediate Outcome Indicators								
<b>Livestock Waste Management Technology Demonstration Component</b> Average quantity of livestock solid and liquid waste treated at livestock farms in Jinshan, Shenye and Qianwei	tons/d	0	10,800	69,400	126,000	Semi-annual report	PIA	Shanghai PMO
<b>Wetland Demonstration for Pollution Reduction Component</b> Average volume of rural household wastewater treated at wetland wastewater treatment systems in participating villages	m <sup>3</sup> /d	0	199	504	504	Semi-annual report	PIA	Shanghai PMO
<b>Integrated Agricultural Pollution Reduction Techniques Component</b>  Number of farmers receiving skill development programs on fertilizer, insecticides and pesticides	per. times	0	550	1,100	1,100	Semi-annual Report	PIA	Shanghai PMO
Quantity of organic fertilizer used	ton/yr	0	1,200	2,400	2,400	Semi-annual report	PIA	Shanghai PMO
Extent of low residue and low toxicity pesticides used (against the total pesticides used at the pilot sites)	%	0	80	90	90	Semi-annual report	PIA	Shanghai PMO
Usage of green test control techniques (at the pilot sites)	no.	0	description	description	description	Semi-annual report	PIA	Shanghai PMO
<b>Project Management and Dissemination Component</b> Number of subprojects satisfactorily implemented (cumulative)	no.	0	3	7	8	Semi-annual report	PIA	Shanghai PMO
Number of training courses conducted	no.	0	5	10	10	Semi-annual report	PIA	Shanghai PMO
Number of farmers who participated in training and workshops	no.	0	1,000	2,000	2,000	Semi-annual report	PIA	Shanghai PMO



