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LOAN NUMBER 2436-PRC

GRANT NUMBER 0113-PRC

PROJECT AGREEMENT

(Ningxia Integrated Ecosystem and Agricultural Development Project)

between

ASIAN DEVELOPMENT BANK

and

NINGXIA HUI AUTONOMOUS REGION GOVERNMENT

DATED 6 MARCH 2009

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PAL:PRC 38660

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 6 March 2009 between ASIAN DEVELOPMENT BANK (hereinafter called ADB) of the one part and NINGXIA HUI AUTONOMOUS REGION GOVERNMENT (hereinafter called NHARG) of the other part.

### **WHEREAS**

(A) by a Loan Agreement of even date herewith between People's Republic of China (hereinafter called the Borrower) and ADB (hereinafter called the Loan Agreement), ADB has agreed to make to the Borrower a loan (hereinafter called the Loan) of one hundred million dollars (\$100,000,000) on the terms and conditions set forth in the Loan Agreement;

(B) ADB has agreed to make the Loan only on the condition that the proceeds of the Loan be made available to NHARG, and that NHARG agrees to undertake certain obligations towards ADB as hereinafter in this Project Agreement set forth;

(C) the Global Environmental Facility (hereinafter called GEF) has approved a grant (hereinafter called the GEF Grant) to the Borrower of four million five hundred forty five thousand dollars (\$4,545,000) to be administered by ADB, to finance a portion of the Project; and

(D) NHARG, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth.

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as defined in the Loan Agreement) have the respective meanings therein set forth except that the term "Project", as being allied to any PIU, means the sub-Component(s) implemented by the PIU.

## ARTICLE II

### Particular Covenants

Section 2.01. (a) NHARG shall, and shall cause each Project Implementing Agency to, carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental, IEM principles and CA practices.

(b) In the carrying out of the Project and operation of the Project facilities, NHARG shall, and shall cause each Project Implementing Agency to, perform all obligations set forth in the Loan Agreement to the extent that they are applicable to NHARG, and all obligations set forth in the Schedule to this Project Agreement and the Onlending Agreements to the extent they are applicable to the relevant Project Implementation Agency or its respective PIUs.

Section 2.02. NHARG shall, and shall cause each Project Implementing Agency to, make available, promptly as needed, the funds, facilities, services, equipment, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, NHARG shall, and shall cause each Project Implementing Agency and its respective PIUs to, employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan and the GEF Grant shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. NHARG shall, and shall cause each Project Implementing Agency and its respective PIUs to, carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. NHARG shall cause each Project Implementing Agency to furnish to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) NHARG shall ensure that each Project Implementing Agency takes out and maintains with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of the equipment procured under the Project to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, NHARG shall cause Project Implementing Agencies to insure, or cause to be insured, the Goods to be imported for the Project and to be financed out of the proceeds of the Loan and the GEF Grant against

hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. NHARG shall cause each Project Implementing Agency to maintain records and accounts adequate to identify the Goods, Works and consulting services and other items of expenditure financed out of the proceeds of the Loan and the GEF Grant, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and NHARG shall cooperate fully to ensure that the purposes of the Loan and the GEF Grant will be accomplished.

(b) NHARG shall, through the PPMO, promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the Onlending Agreements, or the accomplishment of the purposes of the Loan and the GEF Grant.

(c) ADB and NHARG shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, NHARG and the Loan. NHARG shall also ensure that the Project Implementing Agencies, at the request of ADB, exchange views through their representatives with ADB in respect of any matters relating to the Project, the concerned Project Implementing Agency, the Loan or the GEF Grant.

Section 2.08. (a) NHARG shall, through the PPMO, furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the Goods, Works and consulting services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of the Project Implementing Agencies; and (v) any other matters relating to the purposes of the Loan or the GEF Grant.

(b) Without limiting the generality of the foregoing, NHARG shall, and shall cause each Project Implementing Agency to, furnish to ADB, collated and consolidated by the PPMO, quarter yearly reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter year under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following three months.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, NHARG shall, and shall cause each Project Implementing Agency to, prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the respective Components of the Project and the Project as a whole, including their costs, the performance by NHARG and each Project Implementing Agency of respective obligations under this Project Agreement and the accomplishment of the purposes of the Loan and the GEF Grant.

Section 2.09. (a) NHARG shall, and shall cause each Project Implementing Agency and PIU to, (i) maintain separate records and accounts for the Project and for each Project Implementing Agency and PIU's overall operations, which such records and accounts shall be established and maintained in accordance with sound accounting principles and internationally-accepted accounting standards and PRC's Accounting Laws; (ii) have such Project accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, certified copies of such audited Project accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the proceeds of the Loan and GEF Grant and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language. NHARG shall, through the PPMO, furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) NHARG shall enable ADB, upon ADB's request, to discuss NHARG's or the Project Implementing Agencies' Project financial statements and financial affairs from time to time with auditors appointed pursuant to Section 2.09(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of NHARG or the concerned Project Implementing Agency unless NHARG or the concerned Project Implementing Agency shall otherwise agree.

Section 2.10. NHARG shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan and GEF Grant, all other plants, sites, properties and equipment of the Project Implementing Agencies, to the extent relevant to the Project, and any relevant records and documents.

Section 2.11. (a) NHARG shall cause each Project Implementing Agency and its respective PIUs to, promptly as required, take all action within its powers to maintain its legal or corporate existence and to carry on its operations, in each case, which are necessary in the carrying out of the Project or in the conduct of its business.

(b) NHARG shall cause each Project Implementing Agency and its respective PIUs to at all times conduct its business in accordance with sound administrative, financial, environmental, and, as applicable, IEM principles and CA practices, and under the supervision of competent and experienced management and personnel.

(c) NHARG shall cause each Project Implementing Agency to at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, and, as applicable, IEM principles and CA practices, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, NHARG shall ensure that no Project Implementing Agency shall lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of

which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement or the Onlending Agreements.

Section 2.13. Except as ADB may otherwise agree, NHARG shall ensure that the Project Implementing Agencies apply the proceeds of the Loan and the GEF Grant to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement, this Project Agreement and the Onlending Agreements, and shall ensure that all Goods, Works and consulting services financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, NHARG shall, and shall ensure each relevant Project Implementing Agency to, duly perform all its obligations under the relevant Onlending Agreements, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under any such Onlending Agreements.

Section 2.15. NHARG shall, or shall cause the concerned Project Implementing Agency to, promptly notify ADB of any proposal to amend, suspend or repeal any provision of any Project Implementing Agency's Charter or its organization governing document and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

### **ARTICLE III**

#### **Effective Date; Termination**

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement shall come into force and effect. ADB shall promptly notify NHARG of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

### **ARTICLE IV**

#### **Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have

designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

For NHARG

416 Jiefang Xijie  
Yinchuan, Ningxia 7500001  
PRC

Cable Address:

6299

Facsimile Number:

(8695) 1504 5930.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of NHARG may be taken or executed by its Governor or by such other person or persons as the Governor shall so designate in writing notified to ADB.

(b) NHARG shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

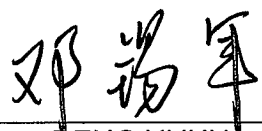
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

ASIAN DEVELOPMENT BANK

By   
HARUHIKO KURODA  
President

NINGXIA HUI AUTONOMOUS REGION  
GOVERNMENT

By   
DENG XIJUN  
Authorized Representative

## SCHEDULE

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Project Executing Agency

1. NHARG, through the Office of Foreign Debt Management of the Ningxia Department of Finance (NFD), shall be the Project Executing Agency and have overall responsibility for the Project.

#### Lead Group

2. A Lead Group (LG) has been established by NHARG. The Chairman of the LG will be the Governor of NHARG (or his representative) and will comprise the persons in charge of each of the concerned departments of NHARG including, Finance, Development and Reform Commission, Forestry, Environment Protection Bureau, Agricultural and Animal Husbandry and Water Resources, together with Yinchuan Municipality, Ningxia Agricultural Reclamation Bureau and Ningxia Administrative Bureau. The main responsibilities of the LG shall include (i) approving important policies and principles relating to IEM, (ii) reviewing Project plans and ensure that all activities are in accordance with IEM principles, (iii) referring technical plans and sector plans to sector experts for review, (iv) approving final Project work plans, enable coordination and improve inter-agency communications, and (v) providing leadership and guidance to the IEM spatial planning programs. The LG will meet each quarter year and such other times as may be necessary.

3. The LG will be supported by the Provincial Project Management Office (PPMO) for the duration of the Project which will provide secretariat services to the LG.

#### Provincial Project Management Office

4. NFD has established the PPMO which will have dual role of project managing the Project and providing necessary support to the LG. NHARG shall ensure that the PPMO will be adequately staffed with full time qualified and experienced personnel to properly carry out the tasks assigned to the PPMO under the Project. The PPMO will be equipped with adequate skill sets and human and other resources, including (i) capacity for project administration including, planning, financial management, project and management, (ii) sector focal points for each of the Project Implementing Agencies, and (iii) a group of technical experts who can review plans, proposals and investments to ensure technical correctness and coordination with the relevant departments and agencies. The PPMO will also direct the research and consultancy services of all International and national consultants.

#### Project Implementing Agencies

5. NFD acting through the PPMO will be responsible for the implementation of Component 1. Each of NFD, Ningxia Administration Bureau, Ningxia Agricultural Reclamation Bureau, Ningxia Water Resources Department and Yinchuan Municipality Government, will be the Project Implementation Agencies for the remaining three Components, each acting through their respective project implementation units (PIUs). The Attachment to this Schedule

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sets out the responsibility of each PIU in relation to the sub-Components of each Component of the Project.

Counterpart Funding

6. NHARG to ensure that (a) all counterpart financing necessary for the Project shall be provided in a timely manner, and (b) additional counterpart financing shall be provided in the event of any shortfall of funds or cost overruns in an amount sufficient to ensure that the Project is completed. NHARG shall also allocate and make available for each fiscal year, in a timely manner, sufficient funds from its budget, or shall cause such funds to be so allocated and made available, for the operation and maintenance of Project facilities under each Component and shall ensure that all Project facilities are operated and maintained in accordance with sound administrative and financial practices.

Change in Ownership

7. In the event that (a) any change in ownership of the Project Facilities, (b) any sale, transfer or assignment of the shares or assets of any PIU, or (c) any other material organizational change to a Project Implementation Agency or a PIU is anticipated, NHARG shall, and shall cause the concerned Project Implementing Agency to, provide notice to ADB as soon as possible after such change becomes known, and in any event prior to the approval or implementation of such change, whichever is earlier. NHARG shall, and shall cause the concerned Project Implementing Agency to, ensure that such change be carried out in a lawful and transparent manner. However, if such changes would affect any party's ability to perform the Borrower's obligations under the Loan Agreement or the Project Agreement, NHARG shall ensure that no such change will occur without the prior approval of the Borrower and ADB.

IEM Policy in the Project Area

8. NHARG shall issue, within five years of the commencement of the Project, an IEM policy (IEM Policy), satisfactory to ADB, which will include, incorporation, for the Project Area, (i) the recommendations of the PRC-GEF Partnership on Land Degradation in Dryland Ecosystems (GEF-OP12), Strategy and Action Plan on Combating Land Degradation in Ningxia (final report); (ii) principles of IEM approach for NHAR, including the items marked (b), (c), (g), (h), (i), and (j) in paragraph 2 (a)(i) of Schedule 1 to the Loan Agreement; and (iii) guidance to NHARG departments and agencies as to the use of IEM practices in their area of responsibilities.

9. The PPMO shall, prior to NHARG issuing the IEM Policy, submit to NHARG its recommendations and findings in respect of the implementation of the Project, for the purpose of assisting NHARG in preparing regulations for the implementation of the IEM Policy.

10. During the course of the Project, NHARG will formulate and gradually apply principles of conservation agriculture for the whole of the Project Area based on the IEM approach to address land degradation control.

Improving Environmental Management

11. Within three years of the commencement of the Project, or such other period as shall be agreed between NHARG and ADB, NHARG shall prepare and submit legislation recommendation to the Standing Committee of the People's Congress of NHAR, which will include draft regulations relating to Wetlands Management and regulations on water resource zoning, satisfactory to ADB.

12. Within three years of the commencement of the Project, or such other period as shall be agreed between NHARG and ADB, NHARG shall prepare and submit legislation recommendation to the Standing Committee of the People's Congress of NHAR, which will include draft regulations relating to implementation of the National Water Law (2002), and regulations on the control of pesticide and fertilizer usage to reduce non-point source pollution, satisfactory to ADB.

13. NHARG will ensure that by no later than 31 December 2008, HPCMA (west of the Xixia Canal) will be classified and gazetted as a provincial nature reserve and will not be used for future activities which will damage original ecological environment, including agricultural, forestry, production or industrial use.

14. On the basis of monitoring methods to be agreed between Ningxia Water Resources Department (NWRD) and ADB, and in accordance with IWRMP, NHARG will ensure that the provision of the Xixia Canal will not result in any increased water extraction from the Yellow River consumed by the irrigation system including the Meili, Yaojin, Xigan, and Xixia Canals.

15. NHARG, through the WRD, shall, within 18 months of the Effective Date prepare and issue the IWRMP, including a water pricing mechanism to support water trading in NHARG, satisfactory to ADB. NHARG shall ensure that the necessary regulations with respect to the implementation of the IWRMP will be incorporated in the draft regulations relating to the implementation of the National Water Law 2002 as referred to in paragraph 12 above.

16. NHARG will procure the necessary approvals from the Ningxia Cultural and Relic Management Bureau for the alignment of the Xixia Canal and report the approval to the State Relics Management Administration.

Capacity Building

17. NHARG, through the NFD, will ensure that all Project Implementing Agencies, PIUs, enterprises and other relevant stakeholders implement, in accordance with the implementation plan agreed upon by NHARG and ADB, the capacity building and institutional strengthening recommendations made by the consultants, as set out as Component 1 of the Project.

18. NFD will select the most suitable and available trainers and training institutions based upon selection criteria to be agreed by NHAR and ADB.

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19. NFD shall ensure that all staff selected for training are suitable for such training and have been selected using a transparent and objective methodology that is satisfactory to ADB. NFD will take such steps as may be reasonable to ensure that staff who have received training under the Project remain available during the period of implementation of the Project.

Governance and Anticorruption

20. NHARG shall, and shall cause each of the Project Implementing Agencies to, comply with ADB's *Anticorruption Policy* (1998, as amended from time to time). NHARG agrees (i) that ADB reserves the right to investigate any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and (ii) to cooperate fully with and to cause each Project Implementing Agency and PIU to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, NHARG shall (a) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements and (b) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the PPMO, each Project Implementing Agency and PIU, and all contractors, suppliers, consultants and other service providers as they relate to the Project.

21. NHARG shall ensure that Project design and implementation arrangements will provide for mitigation of corruption risks and also undertake the following anticorruption actions: (i) engage an international consultant and a national consultant to advise and assist in the procurement of goods and services, and the engagement of other consultants; (ii) introduce a dual-signing system, in which the civil works contract winner also signs an anticorruption contract with the employer when they execute the civil works contract; and (iii) periodically inspect the contractor's fund withdrawals and settlements.

Gender, Employment and Labor Standards

22. NHARG shall implement the Project in accordance with a gender action plan and participation plan to be prepared by NHARG and agreed between and NHARG and ADB within six months from the Effective Date.

23. NHARG shall, and shall cause each Project Implementing Agency to, comply with all relevant employment and labor standards set forth in the applicable laws, regulations and policies of the Borrower. In addition NHARG shall ensure that all civil works contracts under the Project contain provisions requiring all civil works contractors engaged under the Project to, and all civil works contractors shall, (i) provide timely payment of wages and safe working conditions to all male and female workers; (ii) provide employment opportunities to women, including to the extent possible, for construction labor, and pay equal wages to the male and female employees for equivalent work; (iii) not employ child labor (as defined in the applicable Borrower's law) in the Project activities; and (iv) monitor the effects of the Project on women through collection and compilation of gender-disaggregated data, where applicable, including in the Resettlement Plan (RP) and the project performance monitoring system (PPMS). NHARG shall require compliance of these provisions to be monitored by the construction supervision consultants. In addition, NHARG shall ensure that men and women will have equal opportunity to be employed for organization and management of the Project.

Health and HIV/AIDS

24. NHARG shall, and shall cause each Project Implementing Agency to, in coordination with the relevant PIUs, (i) ensure that contractors disseminate information on the risks of transmitting and contracting socially and sexually transmitted diseases, including HIV/AIDS, to their employees and workers during Project implementation; and (ii) in coordination with other appropriate agencies identified by NHARG, ensure that public awareness and education programs on health and hygiene behavior and managing wastewater and solid waste disposal will be conducted in Project Area to increase the likelihood that the Project health benefits are realized especially among the poor and vulnerable populations.

25. NHARG shall, and shall cause the Project Implementing Agencies to, ensure that construction and operational health and safety measures be incorporated into the design and bidding documents, and that health and safety information be disseminated to contractors who shall in turn disseminate such information to those employed or engaged during Project implementation and facility operations. Such measures shall, at a minimum, comply with the Borrower's applicable law, and shall also be designed to generate a safe work environment.

Land Acquisition and Involuntary Resettlement

26. NHARG shall ensure and shall cause each Project Implementing Agency to ensure that: (a) prior to the commencement of civil works, all land and rights-of-way required by the Project be made available in a timely manner in accordance with Borrower's laws and regulations, including land use approvals and agreements with affected persons; (b) the RP be implemented promptly and efficiently in accordance with its terms; and the provisions of the RP be implemented in accordance with all Borrower's applicable laws and regulations, and ADB's *Policy on Involuntary Resettlement* (1995); (c) all affected persons be given adequate opportunity to participate in resettlement planning and implementation; and ensure that they will be at least as well off as they would have been in the absence of the Project; (d) timely provision of counterpart funds be paid for land acquisition and resettlement activities; and (e) any financial obligations in excess of the RP budget estimates be met.

27. NHARG shall ensure and cause each Project Implementing Agency to ensure that the RP be updated based on the final detailed design or major changes, including detailed measurement surveys, for the respective sub-Components of the Project, and such updated RP be submitted to ADB for its concurrence prior to award of any related civil works contract, and disclosed to affected people in accordance with ADB's applicable information disclosure requirements for resettlement.

28. NHARG shall ensure and cause each Project Implementation Agency to also ensure that: (a) adequate staff and other resources are committed to supervising and internally monitoring the implementation of the RP and that ADB is provided with semi-annual internal monitoring reports during resettlement implementation, followed by a resettlement completion report for each relevant sub-Component; (b) all persons affected by the resettlement under the Project be provided full compensation entitlements prior to displacement from housing, land and assets and provided assistance in accordance with the RP; (c) an independent agency acceptable to ADB has been contracted to carry out monitoring and evaluation, including data disaggregated by gender where applicable, and

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forward reports to ADB annually, until one year after completion of resettlement; (d) ADB be promptly advised of any substantial changes in the resettlement impacts and, if necessary, a revised RP be submitted to ADB for its approval; (e) civil works contractors' specifications include requirements to comply with the RP and entitlements for permanent and temporary impacts to the affected persons; and (f) the civil works and demolition contractors be supervised to ensure compliance with requirements of the RP, applicable laws and ADB's *Policy on Involuntary Resettlement* (1995).

Environment

29. NHARG shall ensure that each Project Implementation Agency shall construct, operate, maintain, and monitor the Project facilities in strict conformity with: (a) all Borrower's applicable laws and regulations, including national and local regulations and standards for environmental protection, health, labor, and occupational safety and ADB's environmental procedures and guidelines including ADB's *Environmental Policy* (2002); and (b) the environmental mitigation and monitoring measures detailed in the approved Environmental Impact Assessment (EIA), summary EIA (SEIA), and the Environmental Management Plan (EMP) for the Project.

30. NHARG will ensure that all Initial Environmental Examinations, EIA, and EMP are reviewed and updated following completion of final detailed designs and approved by ADB prior to any works being undertaken and all mitigation measures will be incorporated in the bidding contracts and the civil works contracts.

31. NHARG shall cause each Project Implementation Agency to ensure that an adequate number of full-time personnel, and sufficient resources be provided to monitor the implementation of the EMP.

32. NHARG shall cause each Project Implementing Agency to ensure that any changes to the Project design that may have a potential for causing negative environmental impacts be reviewed by the PPMO with the assistance of environmental management consultants so that EMP monitoring and mitigation measures are adjusted accordingly in consultation with ADB.

33. NHARG shall cause each Project Implementing Agency to submit its monitoring reports to the PPMO, which will coordinate the preparation of a semi-annual environmental report, which will include the implementation of the EMP, in a format acceptable to ADB until Loan Closing Date.

34. NHARG shall ensure and cause each Project Implementing Agency to ensure that all planting of perennial trees, plants and shrubs in the Project Area will be undertaken on the basis of sound ecological considerations, taking into account efficient water usage and an IEM approach to natural resource management.

Monitoring and Reporting

35. At the commencement of Project implementation, NHARG shall or shall cause the PPMO to develop and thereafter maintain, a PPMS which will be designed to provide early warning of Project implementation and permit adequate flexibility to adopt remedial actions. The PPMS will adopt the following agreed indicators (i) project progress, (ii) enabling framework improvements (policies legal/regulations harmonization and clear institutional mandates), (iii) results of capacity development, (iv) IEM capacity building performance, (v) progress towards demonstration and field targets, (vi) environment improvements, and (vii) related social impacts of the Project. At Project inception, NHARG shall ensure that the PPMO, in consultation with each Project Implementing Agency and with the assistance of the consultants and in consultation with ADB, will develop comprehensive PPMS procedures to establish baseline values and systematically generate data on inputs and outputs in respect of each sub-Component and Project activities; and the socioeconomic, agricultural, and environmental indicators to measure Project impacts. NHARG shall also develop and operate a data portal and ensure that all data sets relating to the Project and each sub-Component, including all Project documents and reports, are posted and updated on the data portal for public access.

36. NHARG shall cause the PPMO to refine the PPMS framework, confirm achievable targets, firm up monitoring and recording arrangements, and establish systems and procedures no later than 6 months after Project implementation. NHARG shall ensure that baseline and progress data will be reported at the requisite time intervals by the Project Implementing Agencies to the PPMO, including semi-annual reporting on EMP. NHARG shall also cause the PPMO to conduct periodic and random monitoring of each sub-Component under the Project to determine the degree to which Project funds have been effectively and efficiently used to implement the Project, achieve its objectives, outcomes, and its performance indicators. NHARG shall ensure that the PPMO will be responsible for analyzing and consolidating the reported data through its management information system, and for reporting the outcome to ADB through the semi-annual progress reports.

37. NHARG shall ensure that the PPMO will prepare consolidated semi-annual reports indicating progress made, problems encountered during the period, steps taken or proposed to remedy the problems, proposed program of activities, and progress expected for the next quarter. Both the loan and GEF grant will be covered in these reports. Within 6 months of physical completion of the Project, PPMO will submit to ADB a completion report that describes the achievements in relation to the Project's expected impact, outcome and outputs.

38. In addition to regular monitoring reports, Project performance will be reviewed twice per year, jointly by NHARG and ADB, for the first three years of the Project and once a year thereafter. Such reviews will assess implementation performance and achievement of progress towards Project outcomes and outputs, financial progress, identify issues and constraints affecting implementation, and work out a time-bound action plan for their resolution.

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39. NHARG and ADB shall undertake a comprehensive midterm review three years after the commencement of Project implementation, which shall include a detailed evaluation of (i) scope of the Project, (ii) implementation arrangements, (iii) implementation of the EMP, (iv) resettlement, (v) achievements of the scheduled targets, (vi) progress of the agenda for policy reform and institutional development, and (vii) if necessary and subject to ADB agreement, reallocation of the Loan proceeds and change to the disbursement percentages. The results of the midterm review shall be discussed by NHARG, and ADB and if required, appropriate corrective measures shall be formulated to ensure successful Project implementation and achievement of the Project objectives by the Loan Closing Date.

**Project Implementation Responsibility**

Component	Project Implementing Agency	Project Implementing Unit
<b>Component 1: Building IEM Capacity and Project Management</b>		
(i) Strengthening the policy, legal and regulatory framework	NFD	PPMO
(ii) Training and capacity building	NFD	PPMO
(iii) Information systems and monitoring	NFD	PPMO
(iv) Project management	NFD	PPMO
<b>Component 2: Land and Water Resource Management</b>		
(i) (a) Integrated water resources management plan (IWRMP)	NWRD	NWRD Planning Office
(i) (b) Spatial planning	NFD	PPMO
(ii) Conservation agriculture (CA) demonstrations	NARB	NARB
(iii) Improved water resource efficiency	NWRD	Ningxia Hydraulic and Water Power Development and Construction Group
<b>Component 3: Improving Rural Livelihoods</b>		
(i) (a) Beef Production	NARB	Helan Mountain Muslim Cattle and Sheep Industry Group Co. Ltd.
(i) (b) Dairy Production	NARB	Pingjipu Dairy Farming Co. Ltd.
(i) (c) Grape Production	NARB	Ningxia Xixia King Wine Industry Co. Ltd.
(ii) Hi-Tech Ecological Agriculture		Ningxia Industrial Development Group
(iii) Yinxi Livelihood Improvements	YMG	Yinxi Conservation Forestry (Shelterbelt) Office
<b>Component 4: Conservation</b>		
(i) Shahu Lake	NARB	Ningxia Shahu Lake Tourist Co. Ltd.
(ii) Yuehai Lake	NARB	Yuehai Lake Tourist Co. Ltd.
(iii) Helanshan Nature Reserve	YMG	Helan Nature Reserve Office of Forest Bureau
(iv) Yinxi Wetlands and set aside	YMG	Yinxi Conservation Forestry (Shelterbelt) Office