

CONFORMED COPY

LOAN NUMBER 4488 CHA

Loan Agreement

(Renewable Energy Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 26, 2001

LOAN NUMBER 4488 CHA

LOAN AGREEMENT

AGREEMENT, dated June 26, 2001, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) Parts A and B of the Project will be carried out by Shanghai Municipal Electric Power Company (SMEPC) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to SMEPC, as set forth in this Agreement; and

(C) the Borrower has requested assistance from the resources of the Global Environment Facility (GEF) Trust Fund in the financing of the Project, the Bank has determined that such assistance would be in accordance with Resolution No. 94-02 of the Executive Directors dated May 24, 1994, establishing the GEF Trust Fund, and by an agreement of even date herewith between the Borrower and the Bank, acting as an implementing agency of the GEF (the GEF Grant Agreement), GEF is agreeing to provide such assistance in an aggregate principal amount equivalent to twenty one million three hundred thousand Special Drawing Rights (SDR 21,300,000) (the GEF Trust Fund Grant); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and SMEPC (the

Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings wherever used herein:

(a) "Affected Person" means a person who on account of the execution of Part A of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "Environmental Management Plan" means the environmental management plan, acceptable to the Bank, prepared by SMEPC as part of its feasibility studies in respect of Part A of the Project, for the monitoring and mitigation of environmental impact, as said environmental management plan may be supplemented and amended from time to time with the prior agreement of the Bank.

(c) "Project Agreement" means the agreement between the Bank and SMEPC 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.

(d) "PV Company" means a commercial enterprise to which the Borrower proposes to make or has made a PV Subgrant.

(e) "PV Implementation Manual" means the manual, satisfactory to the Bank, adopted by the Borrower, through SETC, dated April 1999, for the purposes of making PV Subgrants to PV Companies, as the same may be revised from time to time with the agreement of the Bank.

(f) "PV Project Area" means the Borrower's Provinces of Qinghai, Gansu and Sichuan and Autonomous Regions of Inner Mongolia, Xinjiang and Xizang, together with counties, within the territory of the Borrower, immediately contiguous to any of such provinces or autonomous regions and any other rural areas within the territory of the Borrower as may be agreed by the Borrower and the Bank.

(g) "PV Subgrant" means a grant made or proposed to be made by the Borrower out of the proceeds of the GEF Grant to a PV Company for a PV Subproject.

(h) "PV Subgrant Agreement" means the agreement to be entered into between the Borrower and a PV Company pursuant to Paragraph 4 of Part II of Schedule 4 to the GEF Grant Agreement, as the same may be amended from time to time.

(i) "PV Subproject" means a specific investment project under Part C(1) of the Project for the sale of PV Systems within the PV Project Area to be carried out by a PV Company utilizing the proceeds of a PV Subgrant.

(j) "PV System" means either a photovoltaic system or a photovoltaic-wind turbine hybrid system for power generation, consisting of one or more solar photovoltaic panels with a total photovoltaic peak generating capacity of ten watts or greater, a battery, a means for charge and discharge control and related components.

(k) "Quick-response Matching Grant" means a TI Subgrant, as so defined, which qualifies as a Quick-response Matching Grant pursuant to the provisions of paragraph 2 (b) of Part III of Schedule 4 to the GEF Grant Agreement.

(l) "Resettlement Action Plan" means the plan, acceptable to the Bank, dated August 1998, for the compensation, resettlement and rehabilitation of Affected Persons in respect of Part A of the Project, as said resettlement plan may be supplemented and amended from time to time with the prior agreement of the Bank.

(m) "SETC" means the Borrower's State Economic and Trade Commission and any successor thereto.

(n) "Shanghai Municipality" means the Shanghai Municipality, an administrative sub-division of the Borrower, or any successor thereto.

(o) "SMEPC" means Shanghai Municipal Electric Power Company, a corporation established and existing under the laws of the Borrower in accordance with: (i) Business License No. 1200006260003, issued by the Shanghai Municipal Industrial and Commercial Administration Bureau; and (ii) the SMEPC Charter; and any successor thereto.

(p) "SMEPC Charter" means the charter of SMEPC, dated September 9, 1989, as amended to the date of this Agreement.

(q) "Subsidiary Grant Agreement" means the agreement to be entered into between the Borrower and SMEPC pursuant to Section 3.02(a) of the GEF Grant Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Grant Agreement; and the term "Subsidiary Grant" means the grant made by the Borrower to SMEPC pursuant to the Subsidiary Grant Agreement.

(r) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SMEPC pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the Subsidiary Loan Agreement; and the term "Subsidiary Loan" means the loan made by the Borrower to SMEPC pursuant to the Subsidiary Loan Agreement.

(s) "TI Company" means an enterprise to which the Borrower proposes to make or has made a TI Subgrant.

(t) "TI Implementation Manual" means the manual, satisfactory to the Bank, adopted by the Borrower, through SETC, dated April 2000, for the purposes of making TI Subgrants to TI Companies, as the same may be revised from time to time with the agreement of the Bank.

(u) "TI Subgrant" means a grant made or proposed to be made by the Borrower out of the proceeds of the GEF Trust Fund Grant to a TI Company for a TI Subproject.

(v) "TI Subgrant Agreement" means the agreement to be entered into between the Borrower and a TI Company pursuant to Paragraph 4 of Part III of Schedule 4 to the GEF Grant Agreement, as the same may be amended from time to time.

(w) "TI Subproject" means a specific investment project under Part D(1) of the Project for improvement of photovoltaic and wind power technology to be carried out by a TI Company utilizing the proceeds of a TI Subgrant.

(x) "Windfarm Company" means the subsidiary corporation of SMEPC responsible for carrying out Part A of the Project pursuant to arrangements entered into between the Windfarm Company and SMEPC pursuant to Paragraph 2(a) of Schedule 2 to the Project Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed to be a reference to SMEPC.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to thirteen million Dollars (\$13,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be June 30, 2007 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. 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 said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in

arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end:

- (i) shall, through SETC, carry out Parts C and D of the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause SMEPC to carry out Parts A and B of the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of SMEPC therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SMEPC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower, through SETC, shall carry out Parts C and D of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend the proceeds of the Loan to SMEPC under a subsidiary loan agreement to be entered into between the Borrower and SMEPC, under terms and conditions which shall have been agreed by the Bank. Such terms and conditions shall include the following:

- (i) the principal amount of the Subsidiary Loan shall be repaid by SMEPC in Dollars to the Borrower over a period not exceeding twenty (20) years, including a grace period not exceeding five (5) years;
- (ii) the principal amount of the Subsidiary Loan repayable by SMEPC shall be the equivalent in Dollars (determined as of the date, or respective dates, of repayment) of the value of the currency or currencies withdrawn from the Loan Account; and
- (iii) the Subsidiary Loan shall be charged: (a) interest on the principal amount thereof withdrawn and outstanding from time to time, at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.06(a) of this Agreement; and (b) a commitment charge on the principal amount thereof not withdrawn from time to time at a rate equal to three fourths of one percent ($3/4$ of 1%) per annum.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the

Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, or cause to be prepared, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and B of the Project shall be carried out by SMEPC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) SMEPC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that SMEPC will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and SMEPC in accordance with Section 3.01(c) of this Agreement;

(b) the GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Loan Agreement, have been fulfilled; and

(c) the Windfarm Company which is intended to carry out Part A of the Project shall have been established under the laws of the Borrower and existing in accordance with a charter satisfactory to the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by SMEPC, and is legally binding upon SMEPC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SMEPC and is legally binding upon the Borrower and SMEPC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

Facsimile:

8610-6855-1125

For the Bank:

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 (202) 477-6391
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zou Jiayi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods	12,870,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Fee	130,000	Amount due under Section 2.04 of this Agreement
TOTAL	13,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower, provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the People's Republic of China for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means expenditures that are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to establish sustainable markets for wind and photovoltaic energy technologies in order to: (i) supply electricity in an environmentally sustainable manner; and (ii) increase access of isolated populations within the territory of the Borrower to electricity services.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Windfarm Development

Installation of grid-connected windfarms with an aggregate power generating capacity of approximately 20 megawatts (MW), at Chongming Island (14 MW) and Nanhui (6 MW), Shanghai Municipality.

Part B: Windfarm Institutional Strengthening

(1) Development and implementation of a program of institutional strengthening for the Windfarm Company, including its organizational structure, management practices and financial accounting practices and reporting systems, and provision of training, including overseas study tours, to selected staff of SMEPC and the Windfarm Company in construction and operations and maintenance management, finance and windfarm technology and operations.

(2) Establish procedures for and carry out Project engineering, construction management and operation and maintenance activities for the Windfarm Company, including review of detailed engineering, designs, drawings and specifications.

(3) Collection and analysis of performance data for existing and planned windfarms within Shanghai Municipality and dissemination of such data within the territory of the Borrower.

(4) Increase the Borrower's capacity to promote private sector participation in windfarm development by undertaking legal, contractual and technical preparatory work, including resource assessment within Shanghai Municipality, for the development of large coastal windfarm sites, through the provision of training and consultant services.

Part C: Solar Photovoltaic Energy Development

(1) Financing of specific investment projects for the supply and after-sales support of about 10 MW of photovoltaic generating capacity consisting of approximately 350,000 PV Systems in the PV Project Area, through the provision of PV Subgrants to PV Companies.

(2) Carrying out in the PV Project Area of a program of photovoltaic market development activities, including: (a) carrying out a public information campaign; (b) provision of training to staff of PV Companies in financial management, contract management, technical and commercial practices, accounting and auditing; (c) carrying out of a study of options for consumer financing of photovoltaic systems and development and implementation of an action plan to implement recommended options; (d) carrying out of a program of monitoring of the photovoltaic market in the PV Project Area; and (e) developing and carrying out of specific market development activities in response to market conditions.

(3) Carrying out of a program of institutional strengthening of SETC and the PV Companies, including: (a) product testing and certification by selected certification

laboratories; introduction of national standards for photovoltaic systems and components; and implementation of quality improvement and control measures; and (b) project management support for SETC in contract management, accounting, financial management and grant processing; updating the Borrower's photovoltaic market development strategy; and monitoring and evaluation of Project implementation; with the provision of consultants' services.

Part D: Technology Improvement

(1) Financing of specific investment projects to accelerate innovation in photovoltaic and photovoltaic hybrid technology, through the provision of TI Subgrants to TI Companies.

(2) Carrying out of a program of institutional strengthening of TI Companies, including: (a) awareness building workshops for industry on technology improvement, technology transfer mechanisms, quality control and technology certification; and (b) program management support for SETC in the carrying out of Part D(1) of the Project, including solicitation of technology improvement investment project proposals from industry; evaluation, ranking and selection of proposals; preparation and conclusion of contracts with investment project sponsors; and monitoring and evaluation of technology improvement investment project implementation; with the provision of consultants' services.

(3) Financing of specific investments to bring technology innovations supported by TI Subgrants into commercial production or application, through the provision of commercial loans to selected TI Companies.

* * *

The Project is expected to be completed by December 31, 2006.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
February 15, 2005	285,000
August 15, 2005	295,000
February 15, 2006	300,000
August 15, 2006	310,000
February 15, 2007	320,000
August 15, 2007	325,000
February 15, 2008	335,000
August 15, 2008	345,000
February 15, 2009	355,000
August 15, 2009	365,000
February 15, 2010	375,000
August 15, 2010	385,000
February 15, 2011	395,000
August 15, 2011	405,000
February 15, 2012	415,000
August 15, 2012	430,000
February 15, 2013	440,000
August 15, 2013	450,000
February 15, 2014	465,000
August 15, 2014	475,000
February 15, 2015	490,000
August 15, 2015	500,000
February 15, 2016	515,000
August 15, 2016	530,000
February 15, 2017	545,000
August 15, 2017	560,000
February 15, 2018	575,000
August 15, 2018	590,000
February 15, 2019	605,000

August 15, 2019

620,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Implementation Program

Part I. Project Management and Monitoring.

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 15 and September 15 in each year, commencing March 15, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, within thirty days of submission to the Bank, or such later date as the Bank shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

2. The Borrower shall maintain throughout the period of implementation of the Project a Project Management Office in SETC with terms of reference and resources acceptable to the Bank, and with competent staff in adequate numbers.

Part II. Solar Photovoltaic Development.

1. The Borrower shall, through SETC, carry out Part C(1) of the Project in accordance with the PV Implementation Manual and with the provisions of this Loan Agreement.

2. No PV Subproject shall be eligible for a PV Subgrant unless the PV Subgrant Agreement for such PV Subproject shall have been approved by the Bank.

3. When presenting a PV Subgrant Agreement to the Bank for approval, the Borrower shall, through SETC, furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the PV Company and an appraisal of the PV Subproject in accordance with the PV Implementation Manual; (ii) the proposed terms and conditions of the PV Subgrant; and (iii) such other information as the Bank shall reasonably request.

4. PV Subgrants shall be made on terms whereby the Borrower shall obtain, by written contract with the PV Company (the PV Subgrant Agreement) or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(i) require the PV Company to carry out the PV Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and to maintain adequate records;

(ii) require that PV System components shall be procured at a reasonable price, account being taken also of other relevant

factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor;

(iii) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such PV Company's PV Systems and the installation thereof and any relevant records and documents;

(iv) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the PV Company and to the benefits to be derived from the PV Subproject;
and

(v) suspend or terminate the eligibility of the PV Company to receive the proceeds of the GEF Trust Fund Grant upon failure by such PV Company to perform its obligations under its contract with the Borrower.

5. The amount of a PV Subgrant to a PV Company shall be equivalent to \$1.50 per watt-peak (Wp) photovoltaic capacity for each PV System installed. Payments of PV Subgrants will be made to each PV Company in accordance with the PV Implementation Manual.

6. The Borrower, through SETC, shall: (a) carry out Part C(2) of the Project in accordance with a market development program framework acceptable to the Bank; (b) no later than October 31 in each year, commencing October 31, 2001, submit to the Bank for its review and approval, a detailed annual work plan for the following calendar year under the Borrower's market development program framework; (c) no later than December 31 in each year finalize each such work plan taking into account the Bank's comments thereon; and (d) thereafter carry out said work plan in a manner satisfactory to the Bank.

7. The Borrower shall carry out Part C(3) of the Project in accordance with an institutional strengthening program acceptable to the Bank.

Part III. Technology Improvement.

1. The Borrower shall, through SETC, carry out Part D(1) of the Project in accordance with the TI Implementation Manual and with the provisions of this Loan Agreement.

2. No expenditures for goods or services required for a TI Subproject shall be eligible for financing out of the proceeds of the GEF Trust Fund Grant unless: (a) for TI Subgrants other than Quick-response Matching Grants, the TI Subgrant Agreement for such TI Subproject shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 3 of Part III of this Schedule in respect of such TI Subgrant; or (b) the TI Subgrant for such TI Subproject shall have been a Quick-response Matching Grant for which the Bank has authorized withdrawals from the Grant Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 3 (b) of Part III of this Schedule in respect of such Quick-response Matching Grant. For the purposes of this Agreement, a Quick-response Matching Grant shall be a TI Subgrant for a TI Subproject in an amount to be financed out of the proceeds of the GEF Trust Fund Grant which, except as the Bank shall otherwise agree, shall not exceed: (i) \$10,000 equivalent for each TI Subproject; or (ii) \$1,000,000 equivalent, when added to all other Quick-response Matching Grants financed or proposed to be financed out of the proceeds of the GEF Trust Fund Grant.

3. When presenting a TI Subgrant (other than a Quick-response Matching Grant) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the TI Company and an appraisal of the TI Subproject in accordance with the TI Implementation Manual, including a description of the expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant and the expenditures financed or proposed to be financed by the TI Company from sources other than the GEF Trust Fund Grant; (ii) the

financed by the TI Company from sources other than the GEF Trust Fund Grant; (ii) the proposed terms and conditions of the TI Subgrant; and (iii) such other information as the Bank shall reasonably request.

4. TI Subgrants shall be made on terms whereby the Borrower shall obtain, by written contract with the TI Company (the TI Subgrant Agreement) or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

- (i) require the TI Company to carry out the TI Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and to maintain adequate records;
 - (ii) require that: (a) the goods to be financed out of the proceeds of the TI Subgrant shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and (b) such goods shall be used exclusively in the carrying out of the TI Subproject;
 - (iii) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the operation thereof and any relevant records and documents;
 - (iv) require that: (a) the TI Company shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (b) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the TI Subgrant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the TI Company to replace or repair such goods;
 - (v) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the TI Company and to the benefits to be derived from the TI Subproject;
- and
- (vi) suspend or terminate the right of the TI Company to the use of the proceeds of the GEF Trust Fund Grant upon failure by such TI Company to perform its obligations under its contract with the Borrower.

5. The Borrower, through SETC, shall: (a) carry out Part D(2) of the Project in accordance with an institutional strengthening program satisfactory to the Bank; (b) no later than October 31 in each year, commencing October 31, 2001, submit to the Bank for its review and approval a detailed annual work plan for the following calendar year; (c) no later than December 31 in each year finalize said work plan taking into account the Bank's comments thereon; and (d) thereafter carry out each such work plan in a manner satisfactory to the Bank.

6. The Borrower, through SETC, shall carry out Part D(3) of the Project in accordance with a plan acceptable to the Bank.

