

**CONFORMED COPY**

**LOAN NUMBER 4742 - CHA**

# **Loan Agreement**

**(Guangdong Pearl River Delta Urban Environment Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 5, 2004**

**LOAN NUMBER 4742 - CHA**

**LOAN AGREEMENT**

AGREEMENT, dated July 5, 2004, 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) the Project will be carried out by Guangdong Province (Guangdong) 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 Guangdong, 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 Parts B.2, C.1, C.2, D.2 and E.4 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 Trust Fund Grant Agreement), GEF is agreeing to provide such assistance in an aggregate amount of ten million Dollars (\$10,000,000) (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 Guangdong (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:

(a) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter, (B) loss of assets or access to assets, or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.

(c) “Environmental Management Plan” and “EMP” mean the plan prepared by Guangdong and referred to in paragraph 3 of Schedule 2 to the Project Agreement, which constitutes an integral part of the Environmental Assessment dated February 28, 2004, prepared by Guangdong; said Plan sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said Plan, as said Plan may be revised from time to time with the agreement of the Bank.

(d) “Environmental Management Framework” means the framework dated February 28, 2004, prepared by Guangdong and referred to in paragraph 3 of Schedule 2 to the Project Agreement, which sets out the principles and procedures for carrying out environmental impact assessments and preparing environmental management plans for inter-municipal environmental infrastructure sub-projects to be identified under Part C.2 of the Project, as said Framework may be revised from time to time with the prior concurrence of the Bank.

(e) “Fiscal Year” means: (i) in respect of the Borrower, each period from January 1 through December 31 of the calendar year; and (ii) in respect of Guangdong and Guangzhou, each period from January 1 through December 31 of the calendar year.

(f) “GDEPB” means the Guangdong Environmental Protection Bureau and any successor thereto.

(g) “GEF Capital Sub-grants” means grants made under Part C.2 of the Project to Participating Entities, out of the proceeds of the GEF Trust Fund Grant, to support eligible inter-municipal environmental infrastructure facilities, in accordance with the provisions of paragraph 13(g)(i) of Schedule 2 to the Project Agreement.

(h) “GEF O&M Sub-grants” means grants made under Part C.2 of the Project to Participating Entities, out of the proceeds of the GEF Trust Fund Grant, to support eligible inter-municipal environmental infrastructure facilities, in accordance with the provisions of paragraph 13(g)(ii) of Schedule 2 to the Project Agreement.

(i) “GEF Sub-grants” means, collectively: (i) the GEF Capital Sub-grants and (ii) the GEF O&M Sub-grants.

(j) “GHWMC” means Guangzhou Hazardous Waste Management Center, a department under Guangzhou Environmental Protection Bureau, responsible for the management of hazardous wastes, and any successor thereto.

(k) “GTDC” means the Guangzhou Tunnel Development Company, a state-owned project management company acting as agent for GSTC in the implementation of Part A of the Project.

(l) “GSTC” means Guangzhou Sewage Treatment Company, a state-owned limited liability company established and operating pursuant to its Charter of December 3, 2003, and to Business License No. 4401011109816, dated November 27, 2003, issued by Guangzhou Industrial and Commercial Administration Bureau, and any successor thereto.

(m) “Guangdong” means the Borrower’s Guangdong Province, and any successor thereto.

(n) “Guangzhou” means Guangzhou Municipality within Guangdong Province, and any successor thereto.

(o) “Industrial Pollution Control Action Plan” means the action plan dated November 2003 prepared by Guangzhou, and referred to in paragraph 15 of Schedule 2 to the Project Agreement, said Action Plan setting forth activities to be carried out by Guangzhou to control and minimize industrial pollution in the surface waters of the Pearl River Delta within Guangzhou’s jurisdiction in order for surface waters to meet water quality Class-III stipulated in the Borrower’s “Surface Water Environmental Quality Standard” (GB3838-88).

(p) “Participating Entities” means municipalities, districts or towns in Guangdong which have entered into agreements with other contiguous municipalities, districts or towns to jointly develop, operate and maintain environmental infrastructure facilities under Part C.2 of the Project.

(q) “PRDCC” means the Pearl River Delta Clean-up Campaign, Guangdong’s wastewater management plan for the Pearl River Delta and adopted by Guangdong in October 2002.

(r) “Project Agreement” means the agreement between the Bank and Guangdong 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.

(s) “Resettlement Action Plans” and “RAPs” mean, collectively: (i) the Resettlement Action Plan for the Dashadi Wastewater Treatment Plant; (ii) the Resettlement Action Plan for the Liede III Wastewater Treatment Plant; (iii) the Resettlement Action Plan for the Sewerage Network; and (iv) the Resettlement Action Plan for the Hazardous Waste Center, all dated March 8, 2004, prepared by Guangzhou and referred to in paragraph 2 of Schedule 2 to the Project Agreement; said Plans set out the principles and procedures governing the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said Plans, as said Plans may be revised from time to time with the agreement of the Bank; and “Resettlement Action Plan” and “RAP” mean any of said Resettlement Action Plans or RAPs.

(t) “Resettlement Policy Framework” means the policy framework dated March 8, 2004, prepared by Guangzhou and referred to in paragraph 2 of Schedule 2 to the Project Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans whenever required during the implementation of the Project, as said Policy Framework may be revised from time to time with the agreement of the Bank.

(u) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

(v) “Subsidiary Loan Agreement” means the agreement to be entered into between Guangzhou and Guangzhou Sewage Treatment Company pursuant to paragraph 6 of Schedule 2 to the Project Agreement, as the same may be amended from time to time; and such term includes all schedules and supplements to the Subsidiary Loan Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Guangdong, GDEPB, Guangzhou, GHWMC, GSTC, GTDC, and the Participating Entities.

## **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 one hundred twenty-eight million Dollars (\$128,000,000).

Section 2.02. (a) 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, works and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, 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 front-end 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 such 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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Guangdong to perform in accordance with the provisions of the Project Agreement all the obligations of Guangdong therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable Guangdong to perform such obligations, and shall not take or permit to be taken any action which would otherwise prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Loan available to Guangdong on the following principal terms:

- (i) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account or payment from the Special Account) of the value of the currency or currencies so withdrawn.
- (ii) The following shall be recovered over a period of twenty (20) years, inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) an amount equal to one percent (1%) of the Loan.
- (iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.06 of this Agreement.
- (iv) A commitment fee shall be charged on such principal amount of the Loan so made available and not withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' 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. The Bank and the Recipient 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) shall be carried out by Guangdong pursuant to Section 2.03 of the Project Agreement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall cause Guangdong to establish and maintain a financial management system, including records and accounts, and to prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) the Borrower shall cause Guangdong to:



- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall cause Guangdong to:
- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
  - (ii) enable the Bank's representatives to examine such records; and
  - (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

## **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) Guangdong 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 Guangdong will be able to perform its obligations under the Project Agreement; and

- (c) (i) Subject to sub-paragraph (ii) of this paragraph (c), the right of the Borrower to withdraw the proceeds of the Trust Fund Grant made to the Borrower for the financing of Parts B.2, C.1, C.2, D.2 and E.4 of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of said GEF Trust Fund Grant Agreement.
- (ii) Sub-paragraph (i) of this paragraph (c) shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; or

(b) The event specified in paragraph (c)(i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c)(ii) of that Section.

## **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) Guangzhou and GSTC have entered into a Subsidiary Loan Agreement satisfactory to the Bank, in accordance with the provisions of paragraph 6 of Schedule 2 to the Project Agreement;

(b) The GEF Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled.

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 Guangdong, and is legally binding upon Guangdong in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by Guangzhou and by GSTC respectively, and is legally binding upon said parties 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

Facsimile:

(86-10) 68551125

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 64145 (MCI)	(1-202) 477-6391

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/ David Dollar

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works:		
(a) under Part A.1, A.2 and A.3 of the Project	77,400,000	50%
(b) under Part B.1 of the Project	5,300,000	50%
(2) Goods under Parts A.1, A.2, A.3 and B.1 of the Project	24,770,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 75% of local expenditures for other items procured locally
(3) Consultants' services under Parts A.1, A.2, A.3, B.1, E.1, E.2 and E.3 the Project	8,900,000	91%
(4) Training	4,350,000	100%
(5) Fee	1,280,000	Amount due under Section 2.04 of the Loan Agreement
(6) Unallocated	6,000,000	
<b>TOTAL</b>	<b>128,000,000</b> =====	

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 Borrower 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.

(b) The term “local expenditures” means any 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:

(a) expenditures under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$5,000,000 may be made in respect of Categories (1)(a) and (b), and (3) on account of payments made for expenditures before that date but after October 1, 2003;

(b) expenditures under Category (1)(a) until GSTC has engaged the services of consultant firms for technical assistance for: (i) institutional development and financial management; (ii) construction supervision and quality control; and (iii) design review and certification, under terms of reference and with qualifications and experience satisfactory to the Bank, and in accordance with the provisions of Schedule 1 to the Project Agreement; and

(c) expenditures under Category (1)(b) until Guangzhou has engaged the services of consultant firms for technical assistance to the GHWMC for: (i) design review and certification, and construction supervision; (ii) development of a regulatory and institutional framework for waste management; and (iii) preparation of bid documents for the selection of an operator of the facility to be constructed under Part B of the Project; under terms of reference and with qualifications and experience satisfactory to the Bank, and in accordance with the provisions of Schedule 1 to the Project Agreement;

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for:

(a) works under contracts costing less than \$6,000,000 equivalent each;

(b) goods under contracts costing less than \$500,000 equivalent each;

(c) consultants' services under contracts with (i) firms costing less than \$100,000 equivalent each, and (ii) individuals costing less than \$50,000 equivalent, each; and

(d) training,

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower to address the environmental problems of the Pearl River Delta in Guangdong Province through the improvement and rationalization of environmental service delivery based on a regional planning approach.

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: Guangzhou Wastewater Management

1. Construct a wastewater treatment plant at Dashadi in Guangzhou, with a capacity of about 200,000 cubic meters per day (m<sup>3</sup>/d).
2. Expand the capacity of the Liede III wastewater treatment plant in Guangzhou by about 200,000 m<sup>3</sup>/d.
3. Construct about 500 kilometers (km) of trunk sewers to convey wastewater from the drainage catchments of Dashadi, Liede III and other selected drainage catchments.
4. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part A.

#### Part B: Hazardous Waste Management

1. Construct the first phase of a hazardous waste treatment center in Guangzhou, including a pre-treatment center and landfill with a capacity of about 150,000 cubic meters.
2. Develop the regulatory and institutional framework for hazardous waste management; promote public-private partnership in waste management; and carry out a hazardous waste survey and market assessment.
3. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part B.

#### Part C: Inter-municipal Environmental Infrastructure

1. Develop a policy and institutional framework and guidelines for collaboration among contiguous municipalities, districts or towns in environmental infrastructure development.



2. Support the development of selected inter-municipal environmental infrastructures.
3. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part C.

Part D: Water Quality Monitoring

1. Develop a water quality monitoring program for the Pearl River Delta.
2. Strengthen the capacity of the Guangdong Environmental Protection Bureau to implement the water quality monitoring program and develop a regional environmental management framework.
3. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part D.

Part E: Institutional Strengthening and Training

1. Carry out a program to strengthen Project implementation capacity and to support the institutional development of environmental infrastructure service entities through the provision of technical assistance, training and equipment.
2. Carry out a study on regional planning and metropolitan management of inter-municipal infrastructure development in Guangdong (in the contiguous areas of Guangzhou and Foshan).
3. Carry out a program of public hygiene promotion in selected areas in Guangzhou.
4. (a) Promote private-public partnership in wastewater management in Guangdong; and  
(b) Review and update Guangdong's wastewater management plan for the Pearl River Delta.

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The Project is expected to be completed by June 30, 2009.

**SCHEDULE 3**

**Amortization Schedule**

<b>Date Payment Due</b>	<b>Payment of Principal (Expressed in Dollars)*</b>
February 15, 2010	3,780,000
August 15, 2010	3,810,000
February 15, 2011	3,845,000
August 15, 2011	3,875,000
February 15, 2012	3,905,000
August 15, 2012	3,940,000
February 15, 2013	3,970,000
August 15, 2013	4,005,000
February 15, 2014	4,035,000
August 15, 2014	4,070,000
February 15, 2015	4,100,000
August 15, 2015	4,135,000
February 15, 2016	4,170,000
August 15, 2016	4,205,000
February 15, 2017	4,240,000
August 15, 2017	4,275,000
February 15, 2018	4,310,000
August 15, 2018	4,345,000
February 15, 2019	4,380,000
August 15, 2019	4,415,000
February 15, 2020	4,450,000
August 15, 2020	4,490,000
February 15, 2021	4,525,000
August 15, 2021	4,560,000
February 15, 2022	4,600,000
August 15, 2022	4,635,000
February 15, 2023	4,675,000
August 15, 2023	4,715,000
February 15, 2024	4,750,000
August 15, 2024	4,790,000

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\*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**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means the amount of \$10,000,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$6,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$50,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
    - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the

Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence

furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.