

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7529-CN

Loan Agreement

(Energy Efficiency Financing Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 11, 2008

LOAN AGREEMENT

AGREEMENT dated July 11, 2008, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount of one hundred million Dollars (\$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are March 15 and September 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (i) carry out its Respective Parts of the Project through NDRC in accordance with the provisions of Article II of the Standard Conditions for Grants made by the World Bank out of Various Funds, dated July 20, 2006 (“Standard Conditions”) and the Co-financing Agreement; (ii) cause the Project Implementing Entities to carry out their Respective Parts of the Project in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.
 - (b) The Borrower and Exim Bank have entered into a Subsidiary Loan Agreement satisfactory to the Bank in accordance with the provisions of paragraph 2 of Section I of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Borrower’s Minister of Finance.

5.02. The Borrower’s Address is:

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

Facsimile:

(86-10) 6855-1125

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zheng Xiaosong
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s David Dollar
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower to improve energy efficiency of selected medium and large industrial enterprises, and to reduce their adverse environmental impact on climate.

The Project consists of the following parts:

Part A: Promotion of Energy Efficiency Financing

1. Strengthen the capacity of the Project Implementing Entities in: (a) energy efficiency business development, including: creation of, staffing and initial business planning for energy conservation lending business units/teams within said Project Implementing Entities; (b) evaluating and assessing the eligibility of Sub-projects; (c) developing energy conservation Sub-project pipeline and marketing energy efficiency financial products; and (d) developing energy conservation-related financing instruments and risk management tools.
2. Strengthen the capacity of selected financial institutions in: energy efficiency business startup; energy efficiency business development; appraisal of energy efficiency projects; training of their staff in regulatory frameworks governing energy efficiency business; development of risk management tools, financing instruments, and hedging instruments related to energy efficiency business.
3. Promote energy efficiency financing in the banking sector through: (a) presenting case studies of Sub-projects at national workshops; (b) introducing energy efficiency financing products and technologies to the banking sector; and (c) disseminating guidelines for assessing and developing energy efficiency projects to the banking sector.
4. Provide technical assistance to: (a) selected financial institutions and industrial enterprises to support energy conservation project demonstration, including preparation of about two (2) pilot energy efficiency projects; and (b) NDRC to support the development of an assessment, supervision, and monitoring system for industrial energy conservation projects.

Part B: Energy Efficiency Sub-projects

Provide Sub-loans to Sub-loan Beneficiaries for carrying out energy efficiency Sub-projects.

Part C: National Policy Support and Capacity Building

1. Provide technical assistance and operational support to NDRC in setting up the National Energy Conservation Center and supporting said Center's business start-up and strategic business planning.
2. Support the implementation of the Borrower's priority energy conservation programs set out in its 11th five-year plan, through: (a) conducting a mid-term review for the implementation of such energy conservation programs; and (b) undertaking studies to address issues that arise from such review and recommend international best practices for implementation of said national priority energy conservation programs.

Part D: Project Management, Monitoring and Supervision

1. Provide technical assistance and operational support to the Project Management Office in respect of Project implementation, monitoring, and supervision and reporting.
2. Provide technical assistance to support independent verification of energy conservation lending volume and energy saving performance of Sub-projects under Part B of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

Institutional Arrangements

1. For purposes of carrying out the Project, the Borrower through NDRC shall:
 - (a) establish and thereafter maintain throughout the period of implementation of the Project, a Project Steering Committee, with terms of reference, composition, and other resources acceptable to the Bank, to be responsible for providing overall strategic and policy guidance for Project implementation; and
 - (b) establish and thereafter maintain a Project Management Office, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for the overall coordination, monitoring, supervision, and reporting for the Project and for implementing Parts A (except for Part A.1), C and D of the Project.

Subsidiary Loan Agreement

2. To facilitate the carrying out of Part B of the Project by Exim Bank, the Borrower shall make the proceeds of the Loan available to Exim Bank under a subsidiary loan agreement (Subsidiary Loan Agreement) between the Borrower and Exim Bank under terms and conditions satisfactory to the Bank, including the following principal terms and conditions:
 - (a) The principal amount shall be made available in Dollars.
 - (b) The principal amount so made available shall be recovered over a period of thirty (30) years, inclusive of a grace period of five (5) years.
 - (c) 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 2.04 of this Agreement.
 - (d) Exim Bank shall utilize the proceeds of the Loan in accordance with this Agreement and the Project Agreement.
3. 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. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive said Subsidiary Loan Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in Annex A of the Schedule to the Project Agreement. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Bank not later than two (2) months after the end of the period covered by such calendar year.
2. Without limitation on the provisions in paragraph A.1 of this Section II above, the Borrower shall:
 - (a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about December 31, 2010, a mid-term report on the progress achieved in carrying out of the Project during the period preceding such 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
 - (b) review with the Bank by February 28, 2011, or such later date as the Bank shall request, the mid-term report referred to in sub-paragraph (a) above, 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.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish, or cause to be prepared and furnished, to the Bank not later than two (2) months after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions, and each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding (ICB).** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).
2. **Other Method of Procurement of Goods.** The following table specifies the method of procurement, other than International Competitive Bidding, which may be used for goods. The Operational Manual prepared by each of the Project Implementing Entities shall specify the circumstances under which such method may be used.

Procurement Method:
(a) Procurement in Loans to Financial Intermediaries

C. Review by the Bank of Procurement Decisions

All ICB contracts for goods shall be subject to the Bank’s Prior Review, regardless of their contract value. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Sub-loans under Part B of the Project to be provided by Exim Bank	100,000,000	100% of Sub-loan amount disbursed
TOTAL AMOUNT	100,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; and

(b) for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2013.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each March 15 and September 15: Beginning September 15, 2013 through March 15, 2038	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

- (a) “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.
- (b) “Co-financier” means the Global Environment Facility.
- (c) “Co-financing” means an amount of thirteen million five hundred thousand Dollars (\$13,500,000) to be provided by the Co-financier to assist in the financing of Parts A, C, and D of the Project.
- (d) “Co-financing Agreement” means the agreement to be entered into between the People’s Republic of China and the Bank providing for the Co-financing.
- (e) “Environmental Assessment Framework” means the Environmental Assessment Framework dated May 21, 2007, adopted by Exim Bank, which sets forth policies and procedures for the preliminary screening of proposed Sub-projects, and for the preparation of environmental assessment and environment management plans therefor during the implementation of the Project, as said framework may be amended from time to time with the prior concurrence of the Bank.
- (f) “The Export- Import Bank of China” and the acronym “Exim Bank” mean the state-owned bank established in 1994 pursuant to the State Council Document No. 20 of 1994, responsible for, among others, financing of export and import within the Borrower’s priority sectors, and providing credit to support the development of the Borrower’s priority sectors, and any successor thereto.
- (g) “Financial Management Manuals” means, collectively: (i) the financial management manuals applicable to the Loans and the GEF Grant, each dated November 21, 2007, adopted by the Project Implementing Entities and referred to in paragraph 2(b) of Section I of the Schedule to the Project Agreement; and (ii) the financial management manual applicable to the GEF Grant to be adopted by NDRC and referred to in paragraph 3 of Section I of Schedule 2 to the Co-financing Agreement, as such Manuals may be amended from time to time with the prior approval by the Bank; and “Financial Management Manual” means either of the Financial Management Manuals.
- (h) “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

- (i) “Hua Xia Bank Co., Limited” and the acronym “Hua Xia Bank” mean the commercial bank established in 1992 pursuant to the Bank of China Document No. 321 of 1992; and converted as a shareholding limited company according to the Borrower’s Company Law in 1996 and operating pursuant to its Articles of Association dated November 17, 2005, and to Business License No. 1000001002967 dated December 11, 2007, issued by the State Industry and Commerce Administrative Bureau, and any successor thereto.
- (j) “NDRC” means the Borrower’s National Development and Reform Commission, and any successor thereto.
- (k) “Operational Manuals” means the manuals, each dated November 21, 2007, adopted by the Project Implementing Entities and referred to in paragraph 2(a) of Section I of the Schedule to the Project Agreement, as such Manuals may be amended from time to time with the prior approval by the Bank; and “Operational Manual” means either of the Operations Manuals.
- (l) “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
- (m) “Project Agreement” means the agreement between the Bank and the Project Implementing Entities 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.
- (n) “Project Implementing Entities” and the acronym “PIEs” mean collectively, the Exim Bank and Hua Xia Bank, and any successors thereto; and “Project Implementing Entity” means either of the Project Implementing Entities.
- (o) “Project Management Office” means the China Energy Efficiency Financing Project Management Office referred to in paragraph 1(b) of Section I of Schedule 2 to this Agreement.
- (p) “Project Steering Committee” means the committee referred to in paragraph 1(a) of Section I of Schedule 2 to this Agreement.
- (q) “Project Team” means the project team of each of the PIEs referred to in paragraph 1 of Section I of the Schedule to the Project Agreement.
- (r) “Renminbi” and the acronym “RMB” mean the currency of the Borrower.
- (s) “Respective Parts of the Project” means in respect of: (i) NDRC, Parts A (except for Part A.1), C and D of the Project; (ii) Exim Bank, Parts A.1 and B of the Project to be implemented by Exim Bank; and (iii) Hua Xia Bank, Parts A.1 and B of the Project to be implemented by Hua Xia Bank.

- (t) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and a Project Implementing Entity pursuant to paragraph 2 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules and supplements to said agreement.
- (u) “Sub-loan” means a loan made by a Project Implementing Entity to a Sub-loan Beneficiary out of the proceeds of the Loan for the financing and carrying out of a Sub-project under Part B of the Project pursuant to the provisions of the Project Agreement, its Operational Manual and Financial Management Manual; and the term “Sub-loans” means, collectively, all such Sub-loans.
- (v) “Sub-loan Agreement” means the agreement to be entered into between a Project Implementing Entity and a Sub-loan Beneficiary for purposes of providing a Sub-loan pursuant to paragraph 6 of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and “Sub-loan Agreements” means, collectively, all of said Sub-loan Agreements.
- (w) “Sub-loan Beneficiary” means a medium or large industrial enterprise, or an energy service company (ESCO), established and operating pursuant to the relevant laws of the Borrower eligible to carry out a Sub-project pursuant to the Operational Manual prepared by each of the Project Implementing Entities; and the term “Sub-loan Beneficiaries” means, collectively, all such Sub-loan Beneficiaries.
- (x) “Sub-project” means an energy efficiency investment project under Part B of the Project to be carried out by a Sub-loan Beneficiary, using financing from the proceeds of a Sub-loan in accordance with the provisions of the Operational Manual prepared by each of the Project Implementing Entities and the relevant provisions in the Project Agreement; and the term “Sub-projects” means, collectively, all such Sub-projects.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Loans of the Bank, dated July 1, 2005 (as amended through February 12, 2008) are as follows:

1. The first paragraph under Section 7.02 of the General Conditions is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

If any of the events specified in paragraphs (a) through (k) of this Section occurs and is continuing, the Bank may, by notice to the Loan Parties, suspend in whole

or in part the right of the Borrower to make withdrawals from the Loan Account. Such suspension shall continue until the event (or events) which gave rise to the suspension has (or have) ceased to exist, unless the Bank has notified the Loan Parties that such right to make withdrawals has been restored.”

2. Paragraphs (c) and (l) under Section 7.02 are deleted in their entirety and paragraphs (d) through (m) under Section 7.02 are re-numbered accordingly.

3. Paragraph (c) under Section 7.03 is modified to read as follows:

“(c) *Fraud; Corruption; Collusion; Coercion.* At any time, the Bank: (i) determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or the Project Implementing Entity (or other recipient of the Loan proceeds) during the procurement or the execution of such contract, without the Borrower or the Project Implementing Entity (or other recipient of the Loan proceeds) having taken timely and appropriate action satisfactory to the Bank to remedy the situation; and (ii) establishes the amount of expenditures under such contract which would otherwise have been eligible for financing out of the proceeds of the Loan.”

4. Paragraphs (c), (d), and (e) under Section 7.06 are modified to read as follows:

“(c) *Co-financing.* The event specified in sub-paragraph (g)(ii)(B) of Section 7.02 has occurred, subject to the proviso of paragraph (g)(iii) of that Section.

(d) *Assignment of Obligations; Disposition of Assets.* Any event specified in paragraph (h) of Section 7.02 has occurred.

(e) *Condition of Borrower or Project Implementing Entity.* Any event specified in sub-paragraph (j)(ii), (j)(iii), (j)(iv) or (j)(v) of Section 7.02 has occurred.”

5. Paragraphs 3, 15, 16, 17, 18 under Appendix (Definitions) are modified to read as follows:

“3. “Additional Event of Suspension” means any event of suspension specified in the Loan Agreement for the purpose of Section 7.02(k).”

“15. “Co-financier” means the financier (other than the Bank or the Association) referred to in Section 7.02(g) providing the Co-financing. If the Loan Agreement specifies more than one such financier, “Co-financier” refers separately to each of such financiers.”

“16. “Co-financing” means the financing referred to in Section 7.02(g) and specified in the Loan Agreement provided or to be provided for the Project by the Co-financier. If the Loan Agreement specifies more than one such financing, “Co-financing” refers separately to each of such financings.”

“17. “Co-financing Agreement” means the agreement referred to in Section 7.02(g) providing for the Co-financing.”

“18. “Co-financing Deadline” means the date referred to in Section 7.02(g)(i) and specified in the Loan Agreement by which the Co-financing Agreement is to become effective. If the Loan Agreement specifies more than one such date, “Co-financing Deadline” refers separately to each of such dates.”