

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7684-CN

Loan Agreement

(Jiangsu Water and Wastewater Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 22, 2009

LOAN AGREEMENT

AGREEMENT dated July 22, 2009, 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 the Loan 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, the amount of one hundred thirty million dollars (\$130,000,000), 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.
- 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 Variable 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 May 15 and November 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 withdrawn and outstanding 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.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project Implementing Entity to carry out 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 – TERMINATION

- 4.01. 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/ Hsiao-Yun Elaine Sun
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency and effectiveness of water supply and wastewater management services and reduce pollution discharges into local rivers in Jiangsu Province.

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

Part 1. Water Supply Expansion

Expanding the supply of water and improving the quality of water supplied in selected towns in the Cities of Danyang, Taixing, Yancheng and Zhenjiang including: (a) construction and/or expansion of raw water, treated water and secondary transmission pipelines, water treatment plants, pumping stations, and raw water intake facilities; (b) rehabilitation and/or expansion of water distribution networks; and (c) carrying out of programs to reduce the amount of water supplied without revenues being received by the supplier (commonly referred to as non-revenue water), including rehabilitation of water supply networks in selected townships to reduce leakage.

Part 2. Wastewater Management

Reducing the discharge of polluted waters into local rivers and improving the treatment of wastewater in the Cities of Danyang, Nanjing and Taixing including, construction and/or rehabilitation of wastewater treatment plants, sewers, and pumping stations.

Part 3. Institutional Strengthening and Capacity Building

- (a) Strengthening and building institutional capacity at the provincial level, including: (i) provision of technical assistance for Project and contract management, and review of Project design; (ii) carrying out a study on the existing wastewater and water supply tariff system; (iii) developing and piloting strategies to reduce non-revenue water at the township level; and (iv) carrying out training and study tours on various aspects of water supply and wastewater management.
- (b) Strengthening the institutional capacity of THWC to manage and implement Project activities through provision of technical assistance and training.

Part 4. Resettlement

Carrying out resettlement and rehabilitation of Displaced Persons in connection with the implementation of Parts 1 and 2 of the Project.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Financing Arrangements**

1. The Borrower shall make available the proceeds of the Loan to the Project Implementing Entity, under terms and conditions satisfactory to the Bank, including the following principal terms:
 - (a) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
 - (b) The principal amount so made available, including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement, shall be recovered over a period of twenty-five (25) years, inclusive of a grace period of eight (8) 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.

B. Anti-Corruption

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting, Evaluation**A. Project Reports**

1. The Borrower shall monitor and evaluate, and cause the Project Implementing Entity to 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 the Annex of the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than February 15 and August 15 each year, starting on February 15, 2010.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

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 as part of the Project Report by not later than February 15 and August 15 each year, interim un-audited financial reports for the Project covering the preceding calendar semester, 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. Each audit of the Financial Statements shall cover the period of one (1) 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 and Works.** All goods and works 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 Schedule.
2. **Consultants' Services.** All consultants' services 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **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, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works 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 Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	<p>National Competitive Bidding.</p> <p>In addition, the procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No.21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Procurement Guidelines:</p> <ol style="list-style-type: none"> (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except for civil works contracts that are estimated to cost less than \$2,000,000 equivalent each and for goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission. (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.

- (iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- (iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or the Project Implementing Entity, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (vi) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- (viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or the Project Implementing Entity, as the case may be.
- (ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
- (x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

<ul style="list-style-type: none"> (xi) Government owned enterprises in the Borrower’s country may be permitted to bid or submit a proposal of goods and works if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law; and (C) are not a dependent agency of the agency conducting the procurement. (xii) All bids should not be rejected solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the Bank’s prior written concurrence. (xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press (as provided under sub-paragraph (i) above) or official gazette or a free and open access website and shall identify the name and offered price of the winning bidder, as well as the duration and summary scope of the awarded contract. (xiv) Jiangsu shall have in place provisions for bidders to protest.
(b) Shopping

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection
(b) Selection based on Consultants’ Qualifications
(c) Single-source Selection
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

1. Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:
 - (a) the first contract procured by the PPMO and Project Company, and thereafter;
 - (b) each contract for works and/or the supply and installation of plant and equipment estimated to cost the equivalent of \$5,000,000 or more;
 - (c) each contract for goods estimated to cost the equivalent of \$500,000 or more;
 - (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$300,000 or more; and
 - (e) each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more.

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 categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods and civil works under the Project to be carried out by:		
(a) DWSC	18,200,000	82%
(b) DSWWTP	2,500,000	58%
(c) TWSC	12,400,000	45%
(d) THWC	8,000,000	65%
(e) YHWAC	16,800,000	55%
(f) ZWSC	14,275,000	58%
(g) NUCIC	55,000,000	63%
(2) Consultants' services, training and study tours	2,500,000	100%
(3) Front-end Fee	325,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
TOTAL AMOUNT	130,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$26,000,000 equivalent may be made for payments made prior to this date but on or after September 15, 2008, for Eligible Expenditures;
 - (b) under each of Categories (1)(a) through (1)(f) until the Bank shall have notified the Borrower and the Project Implementing Entity of its receipt of a copy of the Subsidiary Loan Agreement entered into between the Project Participant concerned and its Respective Project Company, satisfactory to the Bank and in accordance with the provisions of Section I, paragraph E.1 of the Schedule to the Project Agreement; and
 - (c) under Category (1)(g) until the Bank shall have notified the Borrower and the Project Implementing Entity of its receipt of a copy of: (i) the

Subsidiary Loan Agreement entered into between Nanjing City and NUCIC, satisfactory to the Bank and in accordance with the provisions of Section I, paragraph E.1(a) of the Schedule to the Project Agreement; and (ii) the NUCIC-NMWC Implementation Contract entered into between NUCIC and NMWC, satisfactory to the Bank, and in accordance with the provisions of Section I, paragraph E.1(b) of the Schedule to the Project Agreement.

2. The Closing Date is December 31, 2014.

SCHEDULE 3**Amortization Schedule**

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 May 15 and November 15 Beginning November 15, 2017 through November 15, 2033	2.94%
On May 15, 2034	2.98%

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 (2) 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: (a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “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: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) 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.
5. The acronym “EMPs” means, collectively, the following plans which set out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as said plans may be revised from time to time with the agreement of the Bank:
 - (a) the four (4) Environmental Management Plans for water supply investments under Part 1 of the Project; specifically, plans dated September 2008 for investments in Yancheng and Taixing Cities and plans dated June 2008 for investments in Zhenjiang and Danyang Cities; and
 - (b) the five (5) Environmental Management Plans for wastewater investments under Part 2 of the Project; specifically, a plan dated April 2008 for investments in the Qiaobei system in Nanjing City; plans dated June 2008 for investments in the Tiebei system and Chengbei system, both in Nanjing City; a plan dated June 2008 for investments in the Shicheng system in Danyang City; and a plan dated September 2008 for investments in the Huangqiao system in Taixing City.

The acronym “EMP” means, individually, any such plan.

6. “Fiscal Year” means the fiscal year of the Project Companies, covering the period January 1 through December 31.
7. “Jiangsu” means the Borrower’s Province of Jiangsu, and any successor thereto.
8. “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.
9. “Non-Revenue Water” means water supplied without any revenue being received by the supplier because of, *inter alia*, leakages in the water supply network and billed charges for water supplied not being collected.
10. “NUCIC-NMWC Implementation Contract” means the contract to be entered into between NUCIC and NMWC pursuant to Section I, paragraph E.1(b) of the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to said contract.
11. “NUCIC-NMWC Operation and Maintenance Contracts” means, collectively, the contracts to be entered into between NUCIC and NMWC in respect of wastewater systems to be constructed under NUCIC’s Respective Parts of the Project pursuant to Section I, paragraph E.1(c) of the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to said agreements; and “NUCIC-NMWC Operation and Maintenance Contract” means, individually, any of such contracts.
12. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 16, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
14. The acronym “PPMO” means the project management office established and maintained by Jiangsu Province in accordance with the provisions of Section I, paragraph A.1(b) of the Schedule to the Project Agreement, and any successors thereto.
15. “Project Company” means, individually, each of the Project companies set forth in the third column of the table in Appendix 2 to this Agreement and identified

also by the acronym set forth in the fourth column of the same table, which company is established and operating pursuant to its:

- (a) Charter issued on the date specified in said table; specifically, in the fifth column of the same row as the Project Company concerned; and
- (b) Business license issued by the relevant Municipal Industrial and Commercial Administration Bureau on the date and with the license number specified in said table; specifically, in the sixth and seventh columns of the same row as the Project Company concerned,

and any successor thereto; and “Project Companies” means, collectively, all such companies.

- 16. “Project Implementing Entity” means the Borrower’s Jiangsu Province and any successor thereto.
- 17. “Project Participants” means, collectively, the Cities set forth in the first column of the table in Appendix 2 to this Agreement, any other municipalities or cities selected by agreement among the Borrower, Jiangsu and the Bank and any successors thereto; and “Project Participant” means, individually, any of such Project Participants.
- 18. The acronym “RAPs” means, collectively, the following plans which set out the principles and procedures governing the acquisition of land and other assets, and the resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of Parts 1 and 2 of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plans, as the same may be revised from time to time with the prior agreement of the Bank:
 - (a) the four (4) resettlement action plans, all dated September 17, 2008, for water supply investments under Part 1 of the Project to be carried out in the Cities of Danyang, Taixing, Yancheng and Zhenjiang;
 - (b) the three (3) resettlement action plans, all dated September 17, 2008, for wastewater investments under Part 2 of the Project to be carried out in the Cities of Danyang, Nanjing and Taixing; and
 - (c) the resettlement action plans to be prepared by the Project Participants pursuant to Section I, paragraph C.1(b)(ii) of the Schedule to the Project Agreement and agreed to by the Bank.

The acronym “RAP” means, individually, any such plan.

19. “Related Activities” means, collectively, the following:
- (a) construction of treated water transmission pipelines that will connect the water works to townships as part of the Danyang Regional Water Supply scheme in Danyang City;
 - (b) construction of untreated water pipelines from the water intake at Taizhou Number 3 Water Plant to Yangzhuang Water Treatment Plant as part of the Taixing Regional Water Supply scheme in Taixing City; and
 - (c) construction of water treatment facilities as part of the Taixing Regional Water Supply scheme in Taixing City,
- and “Related Activity” means, individually, any of such Related Activities.
20. “Resettlement Policy Framework” means, the resettlement policy framework dated September 17, 2008, which framework 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 or Related Activities, as said framework may be amended from time to time with the prior concurrence of the Bank.
21. “Respective Parts of the Project” means in respect of: (a) each Project Participant, activities under the Project to be carried out within its jurisdiction; and (b) each Project Company, activities under the Project to be carried by said Project Company within the jurisdiction of the Project Participant concerned.
22. “Respective Project Company” means in respect of each Project Participant, the Project Company or Project Companies, as the case may be, set forth in the same row as the Project Participant, in the table in Appendix 2 to this Agreement, and any successor thereto.
23. “Subsidiary Loan Agreements” means, collectively, the agreements to be entered into between each Project Participant and its Respective Project Company pursuant to Section I, paragraph E.1(a) of the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to said agreements; and “Subsidiary Loan Agreement” means, individually, any of said Subsidiary Loan Agreements.
24. “Wastewater Company” means, individually, each of the Project Companies identified in the second column (entitled “Type of Company”) of the table in Appendix 2 to this Agreement as a “Wastewater” company; and “Wastewater Companies” means, collectively, all such companies.

25. “Water Supply Company” means, individually, each of the Project Companies identified in the second column (entitled “Type of Company”) of the table in Appendix 2 to this Agreement as a “Water Supply” company; and “Water Supply Companies” means, collectively, all such companies.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

....

(1) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The definition of the term “Conversion Date” in the Appendix is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

APPENDIX 2

<u>Name of Project Participant</u>	<u>Type of Company</u>	<u>Name of Project Company</u>	<u>Acronym</u>	Project Company is established and operating pursuant to its Charter and Business License as follows:		
				<u>Date of Charter</u>	<u>Business License Number</u>	<u>Date of Business License</u>
1. Nanjing City	Wastewater	Nanjing Municipal Water Company Limited	NMWC	October 10, 2007	320100000033151	October 20, 2007
	Wastewater	Nanjing Urban Construction Investment Holding (Group) Company Limited	NUCIC	January 16, 2007	320100000036932	May 30, 2006
2. Danyang City	Water Supply	Danyang Water Supply Company	DWSC	August 2003	3211811100623	February 14, 2001
	Wastewater	Danyang Shicheng Wastewater Treatment Plant	DSWWTP	April 8, 2005	321181000008860	July 7, 2008
3. Taixing City	Water Supply	Taixing Water Supply Company	TWSC	January 12, 1991	321283000003276	May 15, 2008
	Wastewater	Taixing Huangqiao Wastewater Treatment Company	THWC	March 31, 2008	32128300007292	April 3, 2008
4. Yancheng City	Water Supply	Yancheng Huijin Water Affairs Company Limited	YHWAC	March 20, 2008	320900000000088	April 28, 2008
5. Zhenjiang City	Water Supply	Zhenjiang Water Supply Company	ZWSC	January 6, 1988	321100000005669	November 20, 2005

