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**LOAN NUMBER 7676-CN**

# **Loan Agreement**

**(Hubei Yiba Highway Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated August 31, 2009**

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## **LOAN AGREEMENT**

AGREEMENT dated August 31, 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 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, the amount of one hundred and fifty million Dollars (\$150,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 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 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 to be carried out by the Project Implementing Entity 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 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 Minister of Finance.

5.02. The Borrower's Address is:

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

Facsimile:

(86-10) 68551125

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 passenger and freight flows in the Yichang-Badong corridor by construction of an expressway with enhanced environmental management practices.

The Project consists of the following parts:

#### **A. Yichang-Badong Expressway**

1. Construction of an expressway of about 173.6Km (“Yiba Expressway”) with a design speed of 80Km/hour connecting Yichang City and Badong County at the border of Hubei and Chongqing Municipality including:
  - (a) construction of tunnels, bridges and viaducts;
  - (b) construction of service areas, parking lots, toll plazas and buildings, seven (7) interchanges and about 35.4Km of interconnecting roads to improve integration with the local road network;
  - (c) acquisition and installation of electrical and mechanical equipment;
  - (d) carrying out supervision of the construction activities; and
  - (e) carrying out land acquisition required for this part of the Project and resettlement and rehabilitation of people affected by the Project.

#### **B. Institutional Strengthening**

1. Carrying out of a program to strengthen the capacity of HPCD in expressway construction and management through, inter alia:
  - (a) carrying out training on expressway construction and management, including design, safety, maintenance, finance and the environment;
  - (b) preparation of guides to improve environmental monitoring and management;
  - (c) carrying out: (i) a study on tunnel safety; (ii) research on Hubei’s comprehensive transport and logistics development plan; and (iii) a study on design approaches to reduce the risk of landslide and other geological disasters during construction and operations; and
  - (d) provision of equipment for expressway management and environmental monitoring.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. On-lending Arrangements**

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under terms and conditions satisfactory to the Bank, which shall include the following:
  - (i) The principal amount shall be made available in Dollars.
  - (ii) The principal amount so made available shall be recovered over a period of twenty seven (27) years, inclusive of a grace period of eight (8) years.
  - (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 2.04 of this Agreement.
  - (iv) A front-end fee shall be charged at a rate equal to the rate paid by the Borrower to the Bank pursuant to Sections 2.03 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 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 the Annex to 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 forty-five (45) days after the end of the period covered by such report.
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 to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the 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. **Works.** All 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 Section.
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 Section.
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 Works**

1. **International Competitive Bidding.** Works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

**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.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Selection based on Consultant's Qualifications
(c) Single Source Selection

**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) each contract for works; and (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 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 USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Civil works for Eligible Activities under Part A of the Project	147,291,000	42%
(2) Consultants’ services, training and studies	2,334,000	100%
(3) Front-end Fee	375,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>150,000,000</b>	

3. For the purpose of this Schedule, the term “Eligible Activities” means the activities related to: (a) the carrying out of subgrade and pavement works over a selected portion of the Yiba Expressway to be constructed under Part A of the Project; and (b) the erection and installation of certain electrical and mechanical systems over the length of the Yiba Expressway, including tolling, and monitoring and communication systems, all under contracts to be financed out of the proceeds of the Loan as set out in this Agreement and the Procurement Plan.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2015.

### 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each March 15 and September 15 Beginning September 15, 2017 through September 15, 2035	2.63%
On March 15, 2036	2.69%

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: (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.

## **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 Person” means a person who, on account of the execution of Part A of the Project has 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 person 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 person; and “Displaced Persons” means collectively, all such Displaced Persons.
5. “EMP” means the Environmental Management Plan dated September 22, 2008 and duly adopted by the Project Implementing Entity, and which Plan sets out the measures to address the adverse environmental impacts of the Project, including protection of natural habitats, biodiversity and cultural relics, as well as administrative and monitoring arrangements in respect of the implementation of said plan, as the same may be revised from time to time with the agreement of the Bank.
6. “Financial Management Manual” means the manual dated August 12, 2008, adopted by the Project Implementing Entity for the purpose of implementing and monitoring the financial management aspects of the Project.
7. “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.
8. “HERO” means the Hubei Expressway Resettlement Office established by HPCD for assisting in carrying out resettlement and rehabilitation activities under the Project.

9. “HPCD” means the Hubei Provincial Communications Department of Hubei.
10. “HYEMD” means the Hubei Yiba Expressway Management Division established under the Hubei Expressway Administration Bureau, to operate and maintain the Yiba Expressway to be constructed under Part A of the Project after it opens to traffic.
11. “HPYECH” means the Hubei Provincial Yiba Expressway Construction Headquarters established by HPCD for managing the day to day activities related to the implementation of Part A of the Project.
12. “Hubei” means the Province of Hubei of the Borrower or any successor thereto, and referred to also as the Project Implementing Entity.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
14. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated August 15, 2008 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.
15. “Project Implementing Entity” means Hubei.
16. “Project Office” means the office established by HPCD for, inter alia, assisting in implementing Part B of the Project.
17. “RAP” means, the resettlement action plan dated September 22, 2008 with respect to Part A of the Project (other than for the interconnecting roads referred to under Part A.1(b) of the Project), duly adopted by the Project Implementing Entity, and which sets out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of such Part of the Project, as well as reporting and monitoring arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank; and such term includes all attachments and annexes supplemental to said Plan.
18. “RPF” means the Resettlement Policy Framework dated September 22, 2008 and duly adopted by the Project Implementing Entity for purposes of carrying out the construction of the interconnecting roads under Part A.1(b) of the Project and on the basis of which a specific resettlement action plan will be prepared, adopted and implemented by the Project Implementing Entity in connection with the construction of said interconnecting roads.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

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

“Section 7.02. *Suspension by the Bank*

.....

(l) *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.”