

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7707-CN

Loan Agreement

(Shanghai Urban Environment Project, Phase III)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 9, 2009

LOAN AGREEMENT

AGREEMENT dated September 9, 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 two hundred million dollars (\$200,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 April 15 and October 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.
- (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 4.05(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 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 Project is the third phase of the Shanghai Urban Environment Program. The objective of the Project is to assist the Borrower's Shanghai Municipality in improving its resource and environmental sustainability in the core and suburban areas through strategic priority investments and selective institutional reforms in the water and wastewater sectors.

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 and Management

Construction of raw water transmission pipelines and booster pumping stations in Pudong New District and Nanhui District of Shanghai (collectively, "Nanhui Conveyor") to enable water from Qing Cao Sha Reservoir (under construction) to be supplied to the outer metropolitan areas in southeastern Shanghai Municipality.

Part 2. Wastewater Management

Construction of trunk sewers, pumping stations and associated facilities in the Puxi area to extend the area of service by the existing Bailonggang Wastewater Treatment Plant to the south.

Part 3. District Environment Management Program

Provision of financing for environment-related infrastructure investment sub-projects in suburban districts through the existing District Financing Vehicle ("DFV") and strengthening of DFV's institutional and operational capacities to provide such financing.

Part 4. Institutional Strengthening

- (a) Carrying out of studies, training, study tours and workshops to support water sector policy and institutional reforms, including: (i) introduction of performance benchmarking and economic regulation methods in the water sector; (ii) use of water demand management as a means to increase efficiency in the use of water resources; and (iii) improvement of the security of water supply.
- (b) Carrying out of studies, training, study tours, and workshops to support the institutional development of SCC and its subsidiary companies, including: (i) improvement of capability in project management of urban infrastructure

investments; (ii) reviewing the feasibility of adopting an asset management system; and (iii) optimization of the operation and management of water and wastewater systems by SCC's water sector subsidiaries.

Part 5. Resettlement

Carrying out resettlement and rehabilitation of Displaced Persons in connection with the implementation of Parts 1, 2 and 3 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 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.

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 Annex C of the Schedule to the Project Agreement. Each Project Report shall cover a six-month period and shall be furnished to the Bank by April 30 (covering the preceding September 1 through February 28) and October 31 (covering the preceding March 1 through August 31) each year, starting April 30, 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 by not later than February 28 and August 31 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> <ul 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 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.
- (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

<p>not a dependent agency of the agency conducting the procurement.</p> <p>(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.</p> <p>(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.</p> <p>(xiv) Shanghai shall have in place provisions for bidders to protest.</p>
<p>(b) Shopping for the procurement of goods</p>

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

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. 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 Part 1 of the Project to be carried out by QCSC and under Part 2 of the Project to be carried out by SMSC	166,170,000	80%
(2) Goods and civil works under Part 3 of the Project to be carried out by CEAM	29,930,000	100%
(3) Consultants' services, training and study tours under Part 4 of the Project	3,400,000	100%

Category	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be financed (inclusive of Taxes)
(4) Front-end Fee	500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(5) Premium for Interest Rate Cap or Interest Rate Collar	0	Amount payable pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions
TOTAL AMOUNT	200,000,000	

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; and
 - (b) under each of Categories (1) and (2) until the Bank shall have notified the Borrower and the Project Implementing Entity of its receipt of the following and a legal opinion for each Subsidiary Loan Agreement confirming that the said agreement has been duly authorized or ratified by each of the parties thereto and is legally binding on said parties in accordance with its terms:
 - (i) with respect to Category (1), a copy of the Subsidiary Loan Agreement entered into between the Project Implementing Entity and QCSC and a copy of the Subsidiary Loan Agreement entered into between the Project Implementing Entity and SMSC, each satisfactory to the Bank and in accordance with the provisions of Section I, paragraph D.1 of the Schedule to the Project Agreement; and

- (ii) with respect to Category (2), a copy of the Subsidiary Loan Agreement entered into between the Project Implementing Entity and CEAM, satisfactory to the Bank and in accordance with the provisions of Section I, paragraph D.1 of the Schedule to the Project Agreement.

2. The Closing Date is June 30, 2015.

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 April 15 and October 15 Beginning October 15, 2014 through April 15, 2039	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 (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. “Beneficiary” means an enterprise to which CEAM proposes to make Sub-project Financing; and “Beneficiaries” means, collectively, all such beneficiaries.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CEAM” means the Shanghai Chengtou Environmental Asset Management Company Limited, a state-owned limited liability company, established and operating pursuant to its Charter dated May 20, 2008, and to Business License No. 310115000869060 dated October 24, 2008, issued by Shanghai Municipal Industrial and Commercial Administration Bureau, and any successor thereto.
5. “CEAM Operations Manual” means the manual dated May 22, 2005, as amended on September 25, 2008, and referred to in Section II, paragraph 10 of Annex A to the Schedule to the Project Agreement; as said manual may be revised from time to time with the prior agreement of the Bank.
6. “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.
7. “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.
8. “District Financing Vehicle” means that district financing vehicle established by Shanghai Chengtou Environmental Asset Management Company Limited under Part D of the Shanghai Urban Environment Project, Phase II (Loan Number 4801-CHA) to support and finance environment-related infrastructure investment sub-projects in suburban districts.

9. “Environment Management Plans” means, collectively, the following plans which set out with respect to the Project, measures for the protection of the environment and, where applicable, conservation of and mitigation against adverse impact on natural habitats or their functions, 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 Environment Management Plan of Nanhui Conveyor Project dated September 28, 2008, for investments under Part 1 of the Project and the treatment and disposal of sludge generated by water treatment plants;
 - (b) the Qing Cao Sha Environment Assessment Summary/Update dated October 22, 2008, which includes an environment mitigation plan for mitigating the ecological impact of constructing a reservoir on wetland habitat with respect to the Qing Cao Sha Related Activity;
 - (c) the Environment Management Plan of Bailonggang Sewerage System Project dated October 12, 2008, for investments under Part 2 of the Project and the Pudong Section Related Activity; and
 - (d) the environment management plans prepared pursuant to Section I, paragraph C.2(b) of the Schedule to the Project Agreement, also known as Sub-project EMPs.

“Environment Management Plan” means, individually, any of said Environment Management Plans.

10. “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.
11. “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.
12. “Procurement Plan” “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 15, 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.
13. “Project Companies” means, collectively, CEAM, QCSC, and SMSC.

14. “Project Implementing Entity” means the Borrower’s Shanghai Municipality and any successor thereto.
15. “Pudong Section Resettlement Policy Framework” means the resettlement policy framework dated October 9, 2008, for the Pudong Section Related Activity defined in paragraph 17 of this Appendix, 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, as said framework may be amended from time to time with the prior concurrence of the Bank.
16. “QCSC” means Shanghai Qing Cao Sha Investment Construction and Development Company Limited, a state-owned limited liability company, established and operating pursuant to its Charter dated August 14, 2008, and to Business License No. 310230000261225 dated December 28, 2007, issued by Shanghai Municipal Industrial and Commercial Administration Bureau, and any successor thereto.
17. “Related Activities” means, collectively:
 - (a) The construction of the Qing Cao Sha Reservoir and associated facilities to supply raw water to the Nanhui Conveyor under Part 1 of the Project, which include the following main structures: a reservoir; pipelines on Changxing Island; a raw water tunnel conveyor crossing the Yangtze River to the mainland of Shanghai Municipality; and pumping stations and pipelines on the mainland that will connect to the Nanhui Raw Water Conveyor (“Qing Cao Sha Related Activity”).
 - (b) The construction of trunk sewers and associated facilities in the Pudong area to extend service of the existing Bailonggang Wastewater Treatment Plant to the south, as well as the operation of and treatment and disposal of sludge generated by said treatment plant (“Pudong Section Related Activity”).

Related Activity means, individually, any of said Related Activities.
18. “Renminbi” means the currency of the Borrower.
19. “Resettlement Action Plans” means, collectively, 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 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 Resettlement Action Plan on Nanhui Water Transportation and Associated Engineering of Shanghai Qing Cao Sha Raw Water Project dated November 3, 2008, prepared on behalf of Shanghai with respect to the implementation of Part 1 of the Project and the Qing Cao Sha Related Activity;
- (b) the Puxi Section Project Resettlement Action Plan dated November 3, 2008, prepared on behalf of Shanghai with respect to the implementation of Part 2 of the Project; and
- (c) the resettlement action plans prepared pursuant to Section I, paragraph C.1(c) of the Schedule to the Project Agreement.

“Resettlement Action Plan” means, individually, any of said Resettlement Action Plans.

20. “Respective Parts of the Project” means in respect of:
- (a) CEAM, Parts 3 and 5 of the Project;
 - (b) QCSC, Parts 1 and 5 of the Project; and
 - (c) SMSC, Parts 2 and 5 of the Project.
21. “SCC” means the Shanghai Chengtou Corporation, a state-owned company established in 1992 as an investment corporation to raise funds on behalf of Shanghai Municipality, and through its subsidiary companies, implement projects in the infrastructure sector including, sewerage, road, water, and landscaping sectors in the core urban area of Shanghai.
22. “Shanghai” means the Borrower’s Shanghai Municipality, and any successor thereto.
23. “Shanghai Urban Environment Program” means the program described in the February 7, 2002, letter from Shanghai Municipality to the Bank, which program is designed to improve urban environmental conditions in an integrated and sustainable manner throughout Shanghai and to increase access to environmental services in poorer and less well-served areas within Shanghai so as to foster sustainable growth and improve the living conditions of its population.
24. “SMSC” means the Shanghai Municipal Sewerage Company Limited, a state-owned limited liability company, established and operating pursuant to its Charter dated March 8, 2008, and to Business License No. 310108000132785 dated February 10, 2008, issued by Shanghai Municipal Industrial and Commercial Administration Bureau, and any successor thereto.

25. “Sub-project” means a specific investment project selected for financing under Part 3 of the Project in accordance with the provisions of Section II, paragraphs 9, 10 and 11 of Annex A of the Schedule to the Project Agreement; and “Sub-projects” means, collectively, all such Sub-projects.
26. “Sub-project EMPs” means, collectively, the environment management plans prepared pursuant to Section I, paragraph C.2(b) of the Schedule to the Project Agreement; and “Sub-project EMP” means, individually, any of the Sub-project EMPs.
27. “Sub-project Environment Assessment Framework” means the Environment Assessment Framework under Part 3 of the Project, dated December 2004, as revised on September 25, 2008, and referred to in Section I, paragraph C.2(b) of the Schedule and paragraph 5(a) of Annex B of the Schedule to the Project Agreement, which sets out the policies and procedures for environment assessment and preparation of environment mitigation plans in respect of Sub-projects, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as said framework may be revised from time to time with the agreement of the Bank.
28. “Sub-project Financing” means financing made available to a Beneficiary out of the proceeds of the loan to finance part of the cost of the goods and works required for a Sub-project.
29. “Sub-project Financing Agreements” means, collectively, the agreements to be entered into between CEAM and each of the Beneficiaries pursuant to Section II, paragraph 11(b) of Annex A of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior approval of the Bank, and such term includes all schedules and agreements supplemental to said agreements; and “Sub-project Financing Agreement” means, individually, any of said Sub-project Financing Agreements.
30. “Sub-project RAPs” means, collectively, the resettlement action plans in regard to Part 3 of the Project that are prepared pursuant to the provisions of Section I, paragraph C.1(c) of the Schedule and paragraph 5(b) of Annex B of the Schedule to the Project Agreement; and “Sub-project RAP” means, individually, any of said Sub-project RAPs.
31. “Sub-project Resettlement Policy Framework” means the Policy Framework for Resettlement and Land Acquisition under Part 3 of the Project, dated March 1, 2005, as revised on September 25, 2008, and referred to in Section I, paragraph C.1(c) of the Schedule and paragraph 5(b) of Annex B of the Schedule to the Project Agreement, which sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced

Persons, and for the preparation of resettlement action plans whenever required during the implementation of a Sub-project, as said framework may be revised from time to time with the agreement of the Bank.

32. “Subsidiary Loan Agreements” means, collectively, the agreements to be entered into between Shanghai and each of the Project Companies pursuant to Section I, paragraph D.1 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.

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.”