

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7692-CN

Loan Agreement

(Yunnan Urban Environment 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 Appendix 1 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 Appendix 1 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 ninety million dollars (\$90,000,000) 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 Withdrawal 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 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 – REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that any party to the Subsidiary Agreements shall have failed to perform any of its respective obligations thereunder.

ARTICLE V – TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Borrower's Minister of Finance.

- 6.02. The Borrower's Address is:

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

Facsimile:

(86-10) 6855-1125

- 6.03. 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 assist Yunnan Province in improving the effectiveness and coverage of critical urban infrastructure services in selected counties and the effectiveness of lake basin management in Dianchi, through investments in systems for the management of wastewater, water supply, solid waste, river environment and cultural heritage.

The Project consists of the following parts to be carried out in the Project Counties/Cities, subject to modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part 1. Urban Environmental Infrastructure Development

Develop critical urban environmental infrastructure in the Project Counties/Cities as follows:

- (a) Development of solid waste management services systems, including construction and expansion of sanitary landfills, associated collection, transportation and disposal facilities and access roads; and closure and remediation of existing dumpsites.
- (b) Development of wastewater and water supply systems, including construction and expansion of wastewater treatment plants; construction and rehabilitation of sewage collection and drainage networks; and expansion and rehabilitation of existing water supply treatment plants and networks.
- (c) Carrying out of infrastructure investments in Lion Mountain Park, which adjoins the cultural heritage site of Lijiang Ancient Town in Lijiang Municipality, including construction of a water supply network, sewage collection and drainage networks, guest facilities (such as public restrooms and information centers), trails and access roads and landscaping; and provision of technical assistance, training courses and study tours to enhance the cultural conservation policies and practices of responsible agencies in Lijiang Municipality.
- (d) Carrying out of investments to improve management of the river environment, including construction and rehabilitation of river embankments, dredging of rivers, planting of vegetation, and construction of roads along rivers (to provide access along the embankment) and bridges (to enable river crossing), all to mitigate against erosion and floods; and construction of latrines and composting facilities, biogas ponds and artificial wetlands at lake discharge points, all to control and scale down pollution and restore the river eco-system.

- (e) Provision of support for the implementation of Project activities, including:
 - (i) with respect to Wenshan Prefecture, provision of technical assistance and equipment for supervision of environmental infrastructure construction and for environmental monitoring; and
 - (ii) with respect to other implementing agencies and entities, provision of technical assistance, training courses and study tours to assist in:
 - (A) detailed engineering design, design review, procurement management and contract supervision;
 - (B) operation and management of wastewater and solid waste facilities; and
 - (C) building capacity for Project management and operation.

Part 2. Integrated Lake Basin Management

Improve lake basin management in Dianchi, inter alia, through:

- (a) Development of a long-term plan for the management of the Dianchi lake basin.
- (b) Development of an action plan for controlling rural non-point source pollution of Dianchi Lake.
- (c) Carrying out of analyses of existing lake protection regulations to determine revisions necessary to clarify roles and responsibilities of institutions concerned.
- (d) Establishment of monitoring stations to enhance monitoring of water quality of Dianchi Lake.

Part 3. Resettlement

Carry out resettlement and rehabilitation of Displaced Persons in connection with the implementation of Part 1 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, and 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

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, 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 B 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 March 15 and September 15 in each year, starting on September 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 to the Bank as part of the Project Report by not later than March 15 and September 15 in each year after the end of each calendar semester, interim un-audited financial reports for the Project covering the 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 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 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. 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 not a dependent agency of the agency conducting the procurement.

	<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) The Project Implementing Entity shall have in place provisions for bidders to protest.</p>
(b)	Shopping
(c)	<p>Community Participation: The procedures to be followed for community participation are as follows:</p> <p>(i) <i>Agreement:</i> Based on an annual work plan prepared by YPMO, a detailed implementation agreement ("IA") is signed between Project Participant or Project Company ("Contractor"), as the case may be, and the community ("Community"). The IA shall include terms and conditions acceptable to the Bank, including: (A) scope of Project activities ("Activities") to be carried out; (B) the total cost of the Activities, the source of financing and the agreed unit cost for each of the Activities; (C) schedule for implementation of the Activities; (D) the standard for carrying out works when implementing the Activities; (E) supervision and final acceptance procedures for the Activities; and (F) payment terms and conditions for carrying out the Activities.</p> <p>(ii) <i>Implementation:</i> After an IA is signed, the Community mobilizes local villagers and shall use local equipment and materials to implement the Activities under technical guidance from the Contractor or the local technical departments.</p> <p>(iii) <i>Payment:</i> Payment by the Contractor is made on the unit cost basis specified in the IA and against completed physical works as verified by the Contractor. Every six (6) months, a special review is carried out by the CPMO concerned together with its local technical departments to verify the use of the monies paid and the quality of the completed works. A report of such review shall be provided by the Project Participant or Project Company, as the case may be, to the Bank within one (1) month after completion of the review.</p>

(iv) *Disclosure:* At least once every three (3) months, each Community shall disclose to the public, information on implementation progress of the Activities and use of monies paid under the IA. The contact telephone number and person in charge shall be included in said disclosure to facilitate inquiry by the public.

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 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) Works under Part 1 of the Project to be implemented in: (a) Kunming Municipality (b) Lijiang City and Huaping County in Lijiang Municipality (c) Yulong County in Lijiang Municipality (d) Wenshan Prefecture	4,975,000) 39,066,000) 4,488,000) 22,278,000)	79%
(2) Works under Part 2 of the Project	394,000	79%
(3) Goods under Part 1 of the Project to be implemented in: (a) Kunming Municipality (b) Lijiang Municipality (c) Wenshan Municipality	4,017,000) 4,911,000) 1,189,000)	100%
(4) Goods under Part 2 of the Project	3,318,000	100%
(5) Consultants’ services under Part 1 of the Project to be provided for: (a) Lion Mountain Park investments in Lijiang City (b) Supporting Project implementation	110,000) 1,500,000)	100%
(6) Consultants’ services under Part 2 of the Project	3,529,000	100%

Category	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be financed (inclusive of Taxes)
(7) Front-end Fee	225,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(8) 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	90,000,000	

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 \$18,000,000 may be made for payments made prior to this date but on or after July 1, 2008, for Eligible Expenditures; or
 - (b) under each of Categories (1)(a), (1)(b), (1)(d), (3)(a), (3)(b), (3)(c) and (5)(a) until the Bank shall have notified the Borrower and the Project Implementing Entity of its receipt of the Subsidiary Agreements entered into between the Project Participant concerned and all its Project Companies, satisfactory to the Bank and in accordance with the provisions of Section I, Part E, paragraph 1 of the Schedule to the Project Agreement.
2. The Closing Date is June 30, 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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
October 15, 2017	1.90%
April 15, 2018	1.95%
October 15, 2018	2.00%
April 15, 2019	2.05%
October 15, 2019	2.10%
April 15, 2020	2.15%
October 15, 2020	2.20%
April 15, 2021	2.26%
October 15, 2021	2.32%
April 15, 2022	2.37%
October 15, 2022	2.43%
April 15, 2023	2.49%
October 15, 2023	2.56%
April 15, 2024	2.62%
October 15, 2024	2.69%
April 15, 2025	2.75%
October 15, 2025	2.82%
April 15, 2026	2.89%
October 15, 2026	2.96%
April 15, 2027	3.04%
October 15, 2027	3.11%
April 15, 2028	3.19%
October 15, 2028	3.27%
April 15, 2029	3.35%
October 15, 2029	3.44%
April 15, 2030	3.52%
October 15, 2030	3.61%

Principal Payment Date	Installment Share (Expressed as a Percentage)
April 15, 2031	3.70%
October 15, 2031	3.79%
April 15, 2032	3.89%
October 15, 2032	3.99%
April 15, 2033	4.09%
October 15, 2033	4.19%
April 15, 2034	4.31%

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 1**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. The acronym “CPMO” means the County Project Management Office referred to in Section I, Part A, paragraph 1(e) of the Schedule to the Project Agreement.
5. “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.
6. The acronym “EMPs” means, collectively, the following plans all dated December 22, 2007, which set out, with respect to the Project, measures for: the protection of the environment; conservation of, and mitigation against adverse impact on, natural habitats or their functions; and avoidance of, or mitigation against, adverse impact on physical cultural resources, 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 three (3) Environmental Impact Assessments and Environmental Management Plans for investments under Parts 1 and 2 of the Project in Kunming Municipality; and the plan for control of water pollutants in Lake Dianchi Basin in Kunming Municipality;
 - (b) the five (5) Environmental Impact Assessments and Environmental Management Plans for investments under Part 1 of the Project in Lijiang Municipality; and

- (c) the eight (8) Environmental Impact Assessments and Environmental Management Plans for investments under Part 1 of the Project in Wenshan Prefecture.

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

7. “Fiscal Year” means the fiscal year of the Project Companies, covering the period January 1 through December 31.
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-utility Company” means, individually, each of the Project Companies identified in the third column (entitled “Type of Company”) of the table in Appendix 2 to this Agreement as a “Non-utility” company; and “Non-utility Companies” means, collectively, all such companies.
10. “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.
11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 10, 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.
12. “Project Company” means, individually, each of the Project companies set forth in the fourth column of the table in Appendix 2 to this Agreement, which company is established and operating pursuant to its:
 - (a) Charter issued on the date specified in the 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 the 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.
13. “Project County/City” means, individually, each of the counties and cities set forth in the second column of the table in Appendix 2 to this Agreement, and any

successor thereto; and “Project Counties/Cities” means, collectively, all such counties and cities.

14. “Project Dams” means, collectively, Qinhuating Reservoir Dam in Funing County and Wenbihai Dam in Yulong County; and “Project Dam” means, individually, either of such Project Dams.
15. “Project Implementing Entity” means Borrower’s Province of Yunnan, and any successor thereto.
16. “Project Municipality/Prefecture” means, individually, each of the municipalities and prefectures set forth in the first column of the table in Appendix 2 to this Agreement, and any successor thereto; and “Project Municipalities/Prefectures” means, collectively, all such municipalities and prefectures.
17. “Project Participants” means, collectively, the Project Municipalities/Prefectures set forth in the first column of the table in Appendix 2 to this Agreement and the Project Counties/Cities set forth in the second column of the table in Appendix 2 to this Agreement, and any successor thereto; and “Project Participant” means, individually, any of such Project Municipalities/Prefectures and Project Counties/Cities.
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 August 31, 2007, for investments under Part 1 of the Project to be carried out in Kunming Municipality;
 - (b) the five (5) Resettlement Action Plans, all dated September 12, 2007, for investments under Part 1 of the Project to be carried out in Lijiang Municipality;
 - (c) the seven (7) Resettlement Action Plans, all dated August 29, 2007, for investments under Part 1 of the Project to be carried out in Wenshan County; and

- (d) the resettlement action plans to be prepared by the Project Participants pursuant to Section I, Part C, paragraph 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. “Resettlement Policy Framework” means the Resettlement Policy Framework dated December 27, 2007, which framework 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 implementation of the activities described in Section I, Part C, paragraph 1(b)(ii) of the Schedule to the Project Agreement.
20. “Respective Non-utility Company” means in respect of each Project County/City, the Project Company described as a “Non-utility” company, and set forth in the same row as the Project County/City, in the table in Appendix 2 to this Agreement, and any successor thereto.
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 Utility Company” means in respect of each Project County/City, the Project Company described as a “Utility” company, and set forth in the same row as the Project County/City, in the table in Appendix 2 to this Agreement, and any successor thereto.
23. “Subsidiary Agreements” means, collectively, the Subsidiary Loan Agreement to be entered into between each Project County/City and its Respective Utility Company and the Subsidiary Agency Agreement to be entered into between each Project County/City and its Respective Non-utility Company pursuant to Section I, paragraphs E.1(a) and E.1(b) respectively of the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and supplements to said agreements; and a “Subsidiary Agreement” means, individually, any of such Subsidiary Agreements.
24. “Utility Company” means, individually, each of the Project Companies identified in the third column (entitled “Type of Company”) of the table in Appendix 2 to this Agreement as a “Utility” company; and “Utility Companies” means, collectively, all such companies.
25. The acronym “YPMO” means the Yunnan Project Management Office referred to in Section I, Part A, paragraph 1(b) of the Schedule to the Project Agreement.

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

Name of Project Municipality /Prefecture	Name of Project County/City	Type of Company	Name of Project Company	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. Kunming Municipality	Songming County	Non-utility	Songming Lanling Refuse Treatment Company Limited	April 8, 2008	530127000001155	April 17, 2008
	Luquan County	Non-utility	Luquan Likang Solid Waste Treatment Company Limited	June 10, 2007	530128100000017	July 2, 2007
	Xundian County	Non-utility	Xundian County Qingxin Solid Waste Treatment Company Limited	June 12, 2007	530129000000493	April 3, 2008
2. Lijiang Municipality	Lijiang City	Utility	Lijiang Water Supply and Drainage Company Limited	January 2002	5307021000017	November 19, 2002
		Non-Utility	Lijiang Ancient Town Solid Waste Disposal Plant Company	July 8, 2005	5307021000253	March 2006
		Non-utility (CH)	Lijiang Ancient Town Management Company Limited	March 20, 2006	5307001100038	March 5, 2003
	Yulong County	--	--	--	--	--
	Huaping County	Utility	Huaping Water Supply and Sewerage Company	November 30, 2005	5307232100130	February 27, 2006
3. Wenshan Prefecture	Qiubei County	Utility	Qiubei County Water Supply Corporation	Sept. 10, 2007	5326261100068	July 26, 2006
		Non-utility	Puzhehei Tourism Development Corporation Limited	June 20, 2006	5326261100181	July 3, 2006
	Funing County	Non-utility	Funing County Hongxing State Asset Company Limited	July 16, 1998	5326281100434	August 31, 1998
	Guangnan County	Utility	Guangnan County Water Supply and Drainage Company Limited	Sept. 8, 2000	5326271100246	April 27, 2006
	Yanshan County	Utility	Yanshan County Water Supply Company Limited	January 1, 2004	5326222800096	April 13, 2004

