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**LOAN NUMBER 7517-CN**

# **Loan Agreement**

**(Han River Urban Environment Improvement Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 3, 2008**

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## **LOAN AGREEMENT**

AGREEMENT dated July 3, 2008, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in Appendix 1 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 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 eighty-four million Dollars (\$84,000,000) 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 Parts A, B and D of 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 June 15 and December 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(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.
- 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 Events of Suspension consists of the following, namely, that any party to a Subsidiary Agreement shall have failed to perform any of its obligations thereunder.

**ARTICLE V – EFFECTIVENESS**

- 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/ David Dollar  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist Hubei Province in reducing wastewater and solid waste pollution in urban areas of selected counties and cities, located primarily in the Han River area, through high priority investments in wastewater collection and treatment systems and solid waste management systems, institutional reforms in and capacity development of municipal utilities, and water pollution control.

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 A. Wastewater Treatment**

Improving the treatment of wastewater in selected Project Counties/Cities including, construction of wastewater collection systems and wastewater treatment plants; and carrying out resettlement and rehabilitation of Displaced Persons in connection with the implementation of activities under this Part A of the Project.

#### **Part B. Solid Waste Management**

Improving the management of solid waste in selected Project Counties/Cities including, construction of sanitary landfills and solid waste collection and transfer facilities, provision of related equipment, and closure of existing dump sites; and carrying out resettlement and rehabilitation of Displaced Persons in connection with the implementation of activities under this Part B of the Project.

#### **Part C. Industrial Pollution Control**

Improving, at the provincial and local levels, the control of water pollution by industries through implementation of the Han River Urban Environment Project IPCP.

#### **Part D. Institutional strengthening**

1. Providing technical assistance and training to implementing agencies and entities for the implementation of the Project including, reviewing of designs, supervision of construction, and monitoring implementation of EMPs and RAPs.
2. Providing technical assistance and training to the Project Implementing Entity, Project Counties/Cities and Project Companies to improve their institutional capacity to function in or manage the wastewater or solid waste sector, as the case may be.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. 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-six (26) 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.

#### **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 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 February 28 and August 31 in each year, starting on February 28, 2009.
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 February 28 and August 31 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 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 procedures. 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 particular goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Methods:</b>	
(a)	Shopping
(b)	<p><u>National Competitive Bidding.</u> 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"><li>(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.</li><li>(ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.</li><li>(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.</li><li>(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.</li></ul>

- (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.
- (xii) Re-bidding should not be allowed solely because the number of bids is less than three (3).

**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 Consultants' Qualifications
(c)	Single-source Selection
(d)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants' Guidelines for the Selection of Individuals
(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 (inclusive of taxes subject to the provisions of Section 2.06 of the General Conditions).

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in Dollars)</u>	<u>Percentage of Expenditures to be financed</u>
(1) Goods and works under Part A of the Project to be carried out in:		
(a) Hanchuan County	11,593,600	87%
(b) Honghu City	2,213,500	87%
(c) Shayang County	7,196,800	98%
(d) Tianmen County	10,691,300	89%
(e) Xiaochang County	5,705,800	95%
(f) Xiangfan City	3,911,300	82%
(g) Yunmeng County	8,355,400	87%
(2) Goods and works under Part B of the Project to be carried out in:		
(a) Danjiangkou City	4,214,800	82%
(b) Dawu County	2,556,500	78%
(c) Hanchuan County	7,332,200	87%
(d) Honghu City	4,250,000	87%
(e) Shayang County	4,290,800	98%
(f) Xiaochang County	4,015,800	95%
(g) Yunmeng County	3,312,200	87%
(3) Consultants' services and training under Part D of the Project to be carried out in:		
(a) Danjiangkou City	310,000	)
(b) Dawu County	240,000	)
(c) Hanchuan County	780,000	)
(d) Honghu City	380,000	)
(e) Shayang County	580,000	) 100%
(f) Tianmen County	510,000	)
(g) Xiaochang County	560,000	)
(h) Xiangfan City	210,000	)
(i) Yunmeng County	580,000	)
(4) Front-end Fee	210,000	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>84,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:
  - (a) Payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$16,800,000 equivalent may be made for payments made prior to this date but on or after July 26, 2007, for Eligible Expenditures.
  - (b) Under each of Categories (1)(a) through (1)(g) and Categories (2)(a) through (2)(g) until the Bank shall have notified the Borrower and Hubei of its receipt of a copy of the Subsidiary Agreement entered into between the Project County/City concerned and each of its Respective Project Company, satisfactory to the Bank and in accordance with the provisions of paragraph 6 of the Schedule to the Project Agreement.
2. The Closing Date is June 30, 2014.

**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>
June 15, 2013	2.38%
December 15, 2013	2.38%
June 15, 2014	2.38%
December 15, 2014	2.38%
June 15, 2015	2.38%
December 15, 2015	2.38%
June 15, 2016	2.38%
December 15, 2016	2.38%
June 15, 2017	2.38%
December 15, 2017	2.38%
June 15, 2018	2.38%
December 15, 2018	2.38%
June 15, 2019	2.38%
December 15, 2019	2.38%
June 15, 2020	2.38%
December 15, 2020	2.38%
June 15, 2021	2.38%
December 15, 2021	2.38%
June 15, 2022	2.38%
December 15, 2022	2.38%
June 15, 2023	2.38%
December 15, 2023	2.38%
June 15, 2024	2.38%
December 15, 2024	2.38%
June 15, 2025	2.38%
December 15, 2025	2.38%

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
June 15, 2026	2.38%
December 15, 2026	2.38%
June 15, 2027	2.38%
December 15, 2027	2.38%
June 15, 2028	2.38%
December 15, 2028	2.38%
June 15, 2029	2.38%
December 15, 2029	2.38%
June 15, 2030	2.38%
December 15, 2030	2.38%
June 15, 2031	2.38%
December 15, 2031	2.38%
June 15, 2032	2.38%
December 15, 2032	2.38%
June 15, 2033	2.38%
December 15, 2033	2.42%

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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “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.
4. The acronym “EMPs” means, collectively, the following plans all dated August 2007, which set out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as said plans may be revised from time to time with the agreement of the Bank:
  - (a) the seven (7) Environmental Impact Assessments and Environmental Management Plans for the solid waste management investments under the Project in each of Honghu City, Hanchuan City, Dawu County, Xiaochang County, Yunmeng County, Shayang County, and Danjiangkou City; and
  - (b) the seven (7) Environmental Impact Assessments and Environmental Management Plans for the wastewater network investments under the Project in each of Honghu City, Hanchuan City, Xiangfan Municipality, Tianmen Municipality, Xiaochang County, Yunmeng County, and Shayang County.

The acronym “EMP” means, individually, any such plan.
5. “Fiscal Year” means the fiscal year of the Project Companies, covering the period January 1 through December 31.
6. “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.

7. The acronym “IPCP” means the Han River Urban Environment Project Industrial Pollution Control Plan, which plan includes: (a) installation at major industrial pollution sources of on-line monitoring data facilities linked to municipal data receiving centers; (b) implementation of specific pollution control action plans by major polluting enterprises to ensure compliance with national wastewater discharge standards; (c) provision of technical assistance to improve the Han River Water Modeling System; and (d) carrying out of studies on non-point source pollution of the Han River. Said plan will be implemented, monitored and evaluated by the Project Implementing Entity in accordance with national laws and regulations.
8. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
9. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 6, 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.
10. “Project Company” means, individually, each of the Project companies set forth in the third 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 fourth 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 fifth and sixth columns of the same row as the Project Company concerned,and any successor thereto; and “Project Companies” means, collectively, all such companies.
11. “Project County/City” means, individually, each of the Project county or city set forth in the first column of the table in Appendix 2 to this Agreement, and any successor thereto; and “Project Counties/Cities” means, collectively, all such counties.
12. “Project Implementing Entity” means Borrower’s Province of Hubei, and any successor thereto.

13. The acronym “RAPs” means, collectively, the following plans, all dated July 31, 2007, 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 A and B 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 for solid waste landfill and wastewater treatment plant investments under Parts A and B of the Project to be carried out in Yunmeng County, Xiaochang County, Hanchuan City and Shayang County;
  - (b) the two (2) Resettlement Action Plans for solid waste landfill investments under Part B of the Project to be carried out in Danjiangkou City and Dawu County;
  - (c) the Resettlement Action Plan for wastewater treatment plant investments under Part A of the Project to be carried out in Tianmen City;
  - (d) the Resettlement Action Plan for solid waste landfill and sewage pipe network investments under Part B of the Project to be carried out in Honghu City; and
  - (e) the Resettlement Action Plan for sewage pipe network investments under Part B of the Project to be carried out in Xiangfan City.

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

14. “Respective Parts of the Project” means in respect of:
- (a) each Project County/City, 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 County/City concerned.
15. “Respective Project Company” means in respect of each Project County/City, the Project Company or Project Companies set forth in the same row as the Project County/City in the table in Appendix 2 to this Agreement, and any successor thereto; and “Respective Project Companies” means, collectively, all such companies.
16. “Respective Solid Waste Company” means in respect of each Project County/City, the Project Company set forth in the same row as the Project

County/City in the table in Appendix 2 to this Agreement and identified through the second column (entitled "Type of Investment to be Carried") of the table in Appendix 2 to this Agreement as carrying out "Solid waste" investment; and "Respective Solid Waste Companies" means, collectively, all such companies.

17. "Respective Wastewater Company" means in respect of each Project County/City, the Project Company set forth in the same row as the Project County/City in the table in Appendix 2 to this Agreement and identified through the second column (entitled "Type of Investment to be Carried") of said table as carrying out "Wastewater" investment; and "Respective Wastewater Companies" means, collectively, all such companies.
18. "Subsidiary Agreements" means, collectively, the agreements to be entered into between each Project County/City and its Respective Project Company pursuant to paragraph 6 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 said Subsidiary Agreements.

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

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

1. The first paragraph in Section 7.02 is modified to read as follows:

*"Section 7.02. Suspension by the Bank*

If any of the events specified in paragraphs (a) through (k) of this Section occurs and is continuing, the Bank may, by notice to the Loan Parties, suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account. Such suspension shall continue until the event (or events) which gave rise to the suspension has (or have) ceased to exist, unless the Bank has notified the Loan Parties that such right to make withdrawals has been restored."

2. Paragraphs (c) and (l) in Section 7.02 are deleted in their entirety and paragraphs (d) through (m) in Section 7.02 are re-numbered accordingly.
3. Paragraph (c) under Section 7.03 is modified to read as follows:

*"(c) Fraud; Corruption; Collusion; Coercion.* At any time, the Bank: (i) determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or the Project Implementing Entity (or other recipient of the Loan proceeds) during the procurement or the execution of such

contract, without the Borrower or the Project Implementing Entity (or other recipient of the Loan proceeds) having taken timely and appropriate action satisfactory to the Bank to remedy the situation; and (ii) establishes the amount of expenditures under such contract which would otherwise have been eligible for financing out of the proceeds of the Loan.”

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

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

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

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

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

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

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

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

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

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

## APPENDIX 2

<b>Name of Project County/City</b>	<b>Type of investment to be carried out</b>	<b>Name of Project Company</b>	<b>Project Company is established and operating pursuant to its Charter and Business License as follows:</b>		
			<b><u>Date Of Charter</u></b>	<b><u>Business License Number</u></b>	<b><u>Date of Business License</u></b>
1. Danjiangkou County	Solid waste	Danjiangkou Wanjie Solid Waste Management Company	June 1, 2007	4203811800209	June 7, 2007
2. Dawu County	Solid waste	Dawu Solid Waste Management Company	July 20, 2007	420922000000040	July 24, 2007
3. Hanchuan County	Wastewater	Hanchuan Hanjiang Wastewater Treatment Company Limited	September 10, 2007	4209841101134	September 18, 2007
	Solid waste	Hanchuan Chuanjie Solid Waste Management Company Limited	September 14, 2007	4209841101133	September 18, 2007
4. Honghu County	Wastewater	Honghu Huqing Wastewater Company	July 2, 2007	4210831001371	July 5, 2007
	Solid waste	Honghu Hongjie Solid Waste Management Company	July 2, 2007	4210831001370	July 5, 2007
5. Shayang County	Wastewater	Shayang Kanglu Drainage Company	November 8, 2006	4208031100830	November 17, 2006
	Solid waste	Shayang Jieyang Solid Waste Management Company	May 30, 2007	4208031200880	June 14, 2007
6. Tianmen City	Wastewater	Tianmen Huangjing Wastewater Treatment Company	November 15, 2007	429006110000374	November 21, 2007
7. Xiangfan City	Wastewater	Xiangfan Wastewater Treatment Company	September 26, 2006	4206001150113	January 14, 1994
8. Xiaochang County	Wastewater	Xiaochang Minghua Wastewater Treatment Company	July 2, 2007	420921125800771	July 13, 2007
	Solid waste	Xiaochang Qingjiashan Solid Waste Disposal Center Company	October 28, 2007	420921207400579	November 27, 2007
9. Yunmeng County	Wastewater	Yunmeng Wastewater Treatment Company	July 9, 2007	4209231021445	July 11, 2007
	Solid waste	Yunmeng City Environment and Sanitation Service Company	July 20, 2007	4209231022476	July 22, 2007

