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LOAN NUMBER 2239-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Guangxi Nanning Urban Environmental Upgrading Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 6 JULY 2006

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LAL: PRC 37596

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 6 July 2006 between PEOPLE'S REPUBLIC OF CHINA (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by the Government of Guangxi Zhuang Autonomous Region (hereinafter called GZAR) and Nanning Municipal Government (hereinafter called NMG), and for this purpose the Borrower will, through GZAR, make available to NMG the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB of the one part and GZAR and NMG of the other part;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein (said Ordinary Operations Loan Regulations being hereinafter called the Loan Regulations).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

"EIAs" means environmental impact assessments for the purpose of this Project including the following:

- (i) Environmental Impact Assessment dated March 2005 for Xinxujiang River Environmental Upgrading Subproject prepared by Guangxi Environmental Protection Science Research Institute and approved by Guangxi Environment Protection Bureau on 14 July 2005;

- (ii) Environmental Impact Assessment dated January 2005 for Kelijiang River Environmental Upgrading Subproject prepared by Guangxi Environmental Protection Science Research Institute and approved by Guangxi Environment Protection Bureau on 2 August 2005;
- (iii) Environmental Impact Assessment dated January 2005 for Solid Waste Management Subproject prepared by Guangxi Environmental Protection Science Research Institute and approved by Guangxi Environment Protection bureau on 14 July 2005; and
- (iv) Environmental Impact Assessment dated February 2005 for Qingxiushan Park Ecological Upgrading Subproject prepared by Guangxi Environmental Protection Science Research Institute and approved by Guangxi Environment Protection Bureau on 11 August 2005.

(a) "NIDC" means Nanning Investment and Development Company, a state owned company incorporated with a company registration certificate issued by Nanning Municipal Administration of Industry and Commerce;

(b) "NQSTC" means Nanning Qingxiu Mountain Scenic and Tourist Resort Development Company Limited, a state owned limited liability company incorporated with a company registration certificate issued by Nanning Municipal Administration of Industry and Commerce;

(c) "NSSWTC" means Nanning Shixi Solid Waste Treatment Company Limited, a state owned limited liability company incorporated with a company registration certificate issued by Nanning Municipal Administration of Industry and Commerce;

(d) "NXICDC" means Nanning Xiangsihu Investment, Construction and Development Company Limited, a state owned limited liability company incorporated with a company registration certificate issued by Nanning Municipal Administration of Industry and Commerce;

(e) "Onlending Agreement(s)" means agreement(s) referred to in Section 3.01 (c) of this Loan Agreement;

(f) "Procurement Plan" means the procurement plan for the Project, dated 24 May 2006, agreed between the Borrower and ADB, as may be amended from time to time in agreement between the Borrower and ADB;

(g) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means NMG which is responsible for the carrying out of the Project;

(h) "Project facilities" means the equipment to be provided and the facilities to be constructed under the Project;

(i) "Project Implementing Agency" or "PIA" means either of NIDC, NQSTC, NSSWTC, or NXICDC, and "Project Implementing Agencies" or "PIAs" means two or

more or all of the above mentioned Project Implementing Agencies, which are responsible respectively for implementation of the Subprojects described in paragraph 2 in Schedule 5 to the Loan Agreement and paragraph 2 in the Schedule to the Project Agreement;

(j) "RPs" means the following Resettlement Plans which were submitted to ADB by NMG and are acceptable to ADB:

- (i) Resettlement Plan dated January 2006 for Xinxujiang River Environmental Upgrading Subproject;
- (ii) Resettlement Plan dated January 2006 for Kelijiang River Environmental Upgrading Subproject; and
- (iii) Resettlement Plan dated January 2006 for Qingxiushan Park Ecological Upgrading Subproject; and

(k) "Subproject" means either of the following subprojects, and "Subprojects" means two or more or all of the following Subprojects:

- (i) Xinxujiang River Environmental Upgrading Subproject;
- (ii) Kelijiang River Environmental Upgrading Subproject;
- (iii) Solid Waste Management Subproject; and
- (iv) Qingxiushan Park Ecological Upgrading Subproject.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million dollars (\$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a term of 25 years, including a grace period of 5 years, as provided in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations.

Section 2.03. (a) The Borrower shall pay a commitment charge at the rate of three-fourths of one percent (0.75%) per annum. Such charge shall accrue on amounts of the Loan (less amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of this Loan Agreement, as follows:

during the first twelve-month period, on \$15,000,000;  
 during the second twelve-month period, on \$45,000,000;  
 during the third twelve-month period, on \$85,000,000; and  
 thereafter, on the full amount of the Loan.

(b) If any amount of the Loan is cancelled, the amount of each portion of the Loan stated in paragraph (a) of this Section shall be reduced in the same proportion as the cancellation bears to the full amount of the Loan before such cancellation.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (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, whether withdrawn and outstanding 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 Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating 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 said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. (a) The Borrower shall make the proceeds of the Loan available to GZAR upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to GZAR shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to those applied to the Loan; and (iii) GZAR bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall cause GZAR to make the proceeds of the Loan available to NMG upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to NMG shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to those applied to the Loan; and (iii) NMG bearing the foreign exchange and interest rate variation risks.

(c) The Borrower shall, through GZAR and NMG, make the proceeds of the Loan available to:

- (i) NIDC in an amount of \$35,101,000 under an Onlending Agreement between NMG and NIDC for the purpose of Xinxujiang River Environmental Upgrading Subproject;
- (ii) NXICDC in an amount of \$48,533,000 under an Onlending Agreement between NMG and NXICDC for the purpose of Kelijiang River Environmental Upgrading Subproject;
- (iii) NSSWTC in an amount of \$6,831,000 under an Onlending Agreement between NMG and NSSWTC for the purpose of Solid Waste Management Subproject; and
- (iv) NQSTC in an amount of \$9,535,000 under an Onlending Agreement between NMG and NQSTC for the purpose of Qingxiushan Park Ecological Upgrading Subproject.

The terms and conditions of each Onlending Agreement shall be acceptable to ADB, which, among others, shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to those applied to the Loan; and (iii) each concerned PIA bearing the foreign exchange and interest rate variation risks of the proceeds on-lent thereto.

(d) The Borrower shall cause GZAR, NMG and the PIAs to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2011 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. (a) The Borrower shall, through GZAR, cause NMG to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and wastewater or solid waste management practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Schedule to the Project Agreement.

Section 4.02. The Borrower shall, through GZAR, make available to NMG, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable GZAR and NMG to perform their respective obligations under the Project Agreement, including the establishment and maintenance of tariffs as stipulated in paragraph 10 in the Schedule to the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall, through GZAR, cause NMG to exercise its rights under the Onlending Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) The Borrower shall cause GZAR and NMG to ensure that no rights or obligations under the Onlending Agreements shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Suspension; Cancellation; Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations:

(a) Any party to an Onlending Agreement shall have failed to perform any material obligation under the Onlending Agreement.

(b) The Borrower, GZAR, NMG or any PIA, without prior consultation with ADB, shall have made any material changes to the legal character, ownership or control of the concerned PIA, if such changes may adversely affect its ability to perform its obligations in respect to the concerned Subproject under this Loan Agreement, the Project Agreement and the Onlending Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

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

Telex Number:  
22486 MFPRC CN

Facsimile Number:  
(8610) 6855-1125

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Cable Address:

ASIANBANK  
MANILA

Telex Numbers:

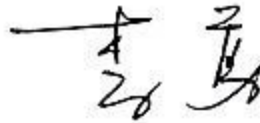
29066 ADB PH (RCA)  
42205 ADB PM (ITT)  
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA



By \_\_\_\_\_  
LI YONG  
Vice Minister of Finance

ASIAN DEVELOPMENT BANK

By   
HARUHIKO KURODA  
President

## SCHEDULE 1

### Description of the Project

#### Project Objective

1. The objective of the Project is to enhance the urban environment and public health in Nanning City. The outcome of the Project will be improved urban environmental management in Nanning through (i) reducing the flood risk in Xinxujiang and Kelijiang rivers within Xiangsihu New District, (ii) upgrading the water quality in Xinxujiang and Kelijiang rivers from worse than class V to class IV and class III respectively, (iii) improving efficiency in solid waste management, (iv) reducing solid wastes and general dirt in city streets, (v) expanding green space, and (vi) increasing public awareness of environmental protection.

#### Project Scope

2. The Project comprises the following Subprojects:

##### A. Subprojects

Subproject I: Xinxujiang River Environmental Upgrading Subproject

- (i) Construction and rehabilitation of approximately 12 kilometers (km) of embankment,
- (ii) Creation of a permanent lake (Xinxujiang Lake) by dredging and embankment,
- (iii) Construction of approximately 3.00 km of interceptor sewers along the banks of Xinxujiang Lake to transfer wastewater to the Jiangnan wastewater drainage system, and
- (iv) Provision of a pumping station and delivery main for the transfer of water from Yongjiang River to flush through Xinxujiang Lake during the dry season for maintaining water flow and water quality.

Subproject II: Kelijiang River Environmental Upgrading Subproject

- (i) Construction and rehabilitation of approximately 14.9 km of embankment,
- (ii) creation of a permanent lake (Xiangsihu Lake) by dredging and embankment,
- (iii) Installation of approximately 47 km of sewerage pipelines, 2 pumping stations, and a buried pipe crossing under Yongjiang River to transfer the wastewater from Xiangsihu New District to the Jiangnan wastewater drainage system;

- (iv) Provision of a pumping station and delivery main for the transfer of water from Yongjiang River to flush through Xiangsihu Lake during the dry season for maintaining water flow and water quality, and
- (v) Construction of a storm water drainage pipe network to serve the proposed Xiangsihu New District.

Subproject III: Solid Waste Management Subproject

- (i) Construction and upgrading of 22 small transfer stations throughout the urban districts,
- (ii) Provision of loading and compacting equipment at all transfer stations,
- (iii) Determination of an operational management control system to improve efficiency of waste transfer, and
- (iv) Provision of 30 units of street sweeping vehicle and 20 units of street washing tanker.

Subproject IV: Qingxiushan Park Ecological Upgrading Subproject

- (i) Reforestation of approximately 71 hectares (ha),
- (ii) Development of approximately 198 ha of improved arboreal mix,
- (ii) Construction of a seedling base comprising greenhouses, plant shelters, and spray irrigation system,
- (iii) Construction of forest protection facilities comprising 2 fire appliances and facilities for prevention and cure of plant diseases and control of insect pests,
- (iv) Construction of auxiliary support facilities comprising approximately 2.5 km of access road to the seedling base, electric power supply, telecommunication, and a science and technology service center,
- (v) Construction of gravity sewers and 11 pumping stations for the southern area of Qingxiushan Park,
- (vi) Construction of 2 separate trunk sewer routes to transfer wastewater flows to the Langdong wastewater treatment plant from Qingxiushan Park, and
- (vii) provision of public awareness training on environmental protection to the visitors.

B. Institutional Capacity Building

Provision of consulting services and training on Project management, operation of maintenance of Project facilities and sustainable financial management of the PIAs.

3. The Project is expected to be completed by 31 December 2010.

## SCHEDULE 2

### Amortization Schedule

#### (Guangxi Nanning Urban Environmental Upgrading Project)

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 shall 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 ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share (expressed in Percentage)</u>
15 December 2011	0.83
15 June 2012	0.87
15 December 2012	0.91
15 June 2013	0.96
15 December 2013	1.01
15 June 2014	1.06
15 December 2014	1.11
15 June 2015	1.16
15 December 2015	1.22
15 June 2016	1.28
15 December 2016	1.35
15 June 2017	1.42
15 December 2017	1.49
15 June 2018	1.56
15 December 2018	1.64
15 June 2019	1.72
15 December 2019	1.81
15 June 2020	1.90
15 December 2020	1.99
15 June 2021	2.09
15 December 2021	2.20
15 June 2022	2.31
15 December 2022	2.42
15 June 2023	2.54
15 December 2023	2.67
15 June 2024	2.80
15 December 2024	2.94
15 June 2025	3.09
15 December 2025	3.25

15	June	2026	3.41
15	December	2026	3.58
15	June	2027	3.76
15	December	2027	3.94
15	June	2028	4.14
15	December	2028	4.35
15	June	2029	4.57
15	December	2029	4.79
15	June	2030	5.03
15	December	2030	5.29
15	June	2031	<u>5.54</u>
			<b><u>100.00</u></b>

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two 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.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**SCHEDULE 3**  
**Allocation and Withdrawal of Loan Proceeds**

General

1. The table attached to this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest and Commitment Charge

3. The amount allocated to Category 4 is for financing interest and commitment charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charge.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall cause GZAR to establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the equivalent of the estimated expenditures for six months' Project implementation or 10% of the Loan amount, whichever is lower.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures of the Project and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$200,000.

Condition of Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for any Subproject of the Project until the following condition shall have been met: the Borrower shall have certified to ADB that the Onlending Agreement for the Subproject, which shall include the terms and conditions as referred to in Section 3.01(c) above, shall have been duly executed and delivered on behalf of NMG and the concerned PIA and shall have become fully effective and binding upon the parties thereto in accordance with its terms.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Guangxi Nanning Urban Environmental Upgrading Project)</b>				
<b>CATEGORY</b>				<b>ADB FINANCING</b>
Number	Item	Amount Allocated		Percentage and Basis for Withdrawal from the Loan Account
		Category	\$ Subcategory	
1	Civil Works	76,504,000		76.5 percent of total expenditure
1A	Xinxujiang River Environmental Upgrading Subproject		28,556,000	76.5 percent of total expenditure
1B	Kelijiang River Environmental Upgrading Subproject		40,315,000	76.5 percent of total expenditure
1C	Solid Waste Management Subproject		1,217,000	76.5 percent of total expenditure
1D	Qinxiushan Park Ecological Upgrading Subproject		6,416,000	76.5 percent of total expenditure
2	Equipment, Materials and Vehicles	8,770,000		100 percent of total expenditure
2A	Xinxujiang River Environmental Upgrading Subproject		1,376,000	100 percent of total expenditure
2B	Kelijiang River Environmental Upgrading Subproject		1,071,000	100 percent of total expenditure
2C	Solid Waste Management Subproject		4,608,000	100 percent of total expenditure
2D	Qinxiushan Park Ecological Upgrading Subproject		1,715,000	100 percent of total expenditure
3	Consulting Services	1,240,000		100 percent of total expenditure
4	Interest and Commitment Charge	13,486,000		amount due
	Total	100,000,000		

## SCHEDULE 4

### Provisions on Procurement and Services of Consultants

#### 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 the Procurement Guidelines (April 2006) as amended from time to time (hereinafter called Procurement Guidelines), the Procurement Plan, 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 the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (April 2006) as amended from time to time (hereinafter called the Consultant Guidelines), the Procurement Plan, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used in this Schedule to describe particular methods of procurement by the Borrower or review by ADB 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

4. **International Competitive Bidding.** Except as otherwise provided in paragraph 5 below or in the Procurement Plan, including any revisions thereto after the Effective Date, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding Competitive Bidding procedures.
5. **Other Methods of Procurement of Goods and Works.** The following subparagraphs specify 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.
  - (a) Civil works contracts estimated to cost the equivalent of less than \$10,000,000 may be awarded on the basis of National Competitive Bidding.

(b) Contracts for goods estimated to cost the equivalent of less than \$1,000,000 (other than minor items) may be awarded on the basis of National Competitive Bidding.

(c) Contracts for goods and works estimated to cost the equivalent of less than \$100,000 may be awarded on the basis of shopping.

C. Particular Methods of Procurement of Consultants' Services

6. **Quality-and Cost-based Selection.** Except as otherwise ADB shall otherwise agree, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

D. ADB's Review of Procurement Decisions

7. The Procurement Plan shall set forth those contracts which shall be subject to ADB's Post Review. All other contracts shall be subject to Prior Review by ADB.

E. Procurement Plan

8. The Borrower shall update the Procurement Plan as needed throughout implementation of the Project, and on each anniversary of the Effective Date, the Borrower shall in consultation with ADB determine whether the Procurement Plan needs to be updated. The Borrower shall implement the Procurement Plan in the manner in which it has been approved by ADB.

F. Domestic Preference

9. The Borrower may provide a margin of preference in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for Domestically Manufactured Goods and paragraph 2.55(b) and 2.56 of the Procurement Guidelines for Domestic Works in comparing bids under international competitive bidding.

E. Industrial or Intellectual Property Rights

10. The Borrower shall ensure that all ADB-financed goods and works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

11. The Borrower shall ensure that all ADB-financed contracts for the procurement of goods and works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in paragraph 9 above.

12. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

#### Advance Action and Contracting

13. Prior to the date of this Loan Agreement, ADB has approved certain advance actions undertaken on behalf of the Borrower and NMG for the procurement of goods, works and consulting services. The Borrower confirms that such advance actions have been carried out in accordance with the requirements of the Procurement Plan, and the Procurement Guidelines and the Consultant Guidelines, as applicable. The Borrower agrees that approval of advance action does not in any way derogate from or alter the Borrower's obligations set forth in this Loan Agreement.

## SCHEDULE 5

### Execution of Project

#### Implementation Arrangements

1 The NMG shall be the Executing Agency (EA) for the Project. The Project Steering Committee (PSC), headed by the Vice Mayor and comprising representatives of the Nanning Financial Bureau, Nanning Development and Reform Commission, Nanning Planning Administration Bureau, Nanning Construction Commission, Nanning Land and Resources Bureau, Nanning Environment Protection Bureau, Nanning Water Resource Bureau, Nanning Municipal Administration Bureau, Nanning Audit Bureau, Qingxiushan Mountain Administration Commission and Xiangsihu New District Administration Commission, shall be responsible for Project coordination and providing policy guidance during Project implementation.

2 The Subprojects implementation arrangements shall be as follows:

- (i) NIDC shall be the PIA for the Xinxujiang River Environmental Upgrading Subproject;
- (ii) NXICDC shall be the PIA for the Kelijiang River Environmental Upgrading Subproject;
- (iii) NSSWTC shall be the PIA for the Solid Waste Management Subproject; and
- (iv) NQSTC shall be the PIA for the Qingxiushan Park Ecological Upgrading Subproject.

3 The Project Management Office (PMO) established within Nanning Financial Bureau shall serve as the secretariat of PSC and be responsible for coordinating the implementation of Project activities. The PMO shall (i) ensure adequate interdepartmental cooperation and interagency coordination, (ii) monitor the progress of Project implementation, and (iii) coordinate communication with ADB and concerned agencies. A project implementation unit shall be established in each Subproject PIA responsible to the respective PIA for coordinating detailed implementation activities.

#### Change in Ownership

4. In the event that (a) any change in ownership of the Project facilities, or (b) any sale, transfer or assignment of the shares of any PIA is anticipated, the Borrower shall, and shall cause that GZAR, NMG, and the concerned PIA, consult with ADB at least six months prior to

the implementation of such change. The Borrower shall, and shall cause GZAR, NMG and the concerned PIA to ensure that such change be carried out in a lawful and transparent manner.

#### Counterpart Fund

5. The Borrower shall cause GZAR and NMG to ensure that (a) all local and foreign currency counterpart financing necessary for the Project, including equity contribution and cash advance, be provided in time to enable completion of Project activities; and (b) additional counterpart funding be provided for any shortfall of funds or cost overruns; and shall, through GZAR, cause NMG to transfer necessary operation and maintenance funds to the concerned PIAs for the Xinxujiang River Environmental Upgrading Subproject and the Kelijiang River Environmental Upgrading Subproject.

#### Midterm Review

6 The Borrower and ADB shall undertake a comprehensive midterm review two years after the commencement of Project implementation, which shall include a detailed evaluation of (a) scope of the Project, (b) implementation arrangements, (c) resettlement, (d) achievements of the scheduled targets, (e) progress of the agenda for policy reform and capacity building measures, and (f) reallocation of the Loan proceeds and change to the disbursement percentages.