
LOAN NUMBER 2573-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Guiyang Integrated Water Resources Management [Sector] Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 17 JUNE 2010

LAL:PRC 38594

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 17 June 2010 between the 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 Guizhou Provincial Government (hereinafter called GPG) and the Guiyang Municipal Government (hereinafter called GMG), and for this purpose the Borrower will make available to GMG through GPG 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 GPG and GMG 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, subject, however, to the following modifications thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit. (aa) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(bb) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the

amount of the credit against the interest payable by the Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:

(aa) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(bb) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

(aa) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(bb) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in

ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

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:

(a) "ADB's Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook dated January 2007, as amended from time to time;

(b) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);

(c) "core Subprojects" means the Subprojects which have been appraised and approved by ADB prior to the effectiveness of this Loan Agreement, including (i) Yudongxia reservoir and water treatment Subproject; (ii) Jinlong reservoir Subproject; (iii) Liaojiuzai reservoir Subproject; (iv) Wudang irrigation rehabilitation Subproject; (v) Huaxi soil and water conservation Subproject; and (vi) Xifeng County small water storage tanks Subproject;

(d) "EARF" means the Environmental Assessment and Review Framework, which will be used for environmental review and assessment of the non-core Subprojects;

(e) "EIAs" means Environmental Impact Assessments, including (A) an environmental impact assessment for the Project prepared by China Hydro Electricity Consultancy Group and Guiyang Survey Engineering Design Institute dated November 2008, (B) those to be prepared for the non-core Subprojects, and (C) those for the core Subprojects as indicated in the following:

- (i) EIA dated November 2008 prepared by Guiyang Survey & Design Institute of China Water Conservation and Hydro-power Consulting Group and approved by Ministry of Environmental Protection for the Yudongxia reservoir and water treatment subproject for urban water supply;
- (ii) EIA dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Guiyang Environmental Protection Bureau for the Jinlong reservoir subproject for rural water supply and irrigation; and

- (iii) EIA dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Guiyang Environmental Protection Bureau for the Liaojiuzai reservoir subproject for rural water supply and irrigation.
- (f) "EMDF" means the Ethnic Minorities Development Framework;
- (g) "EMP" means an environmental management plan;
- (h) "EPZ" means environmental protection zone;
- (i) "FARs" means feasibility assessment reports;
- (j) "GAP" means the Gender Action Plan;
- (k) "GMFB" means the Guiyang Municipal Finance Bureau;
- (l) "GMG" means the Guiyang Municipal Government;
- (m) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (n) "GPG" means the Guizhou Provincial Government;
- (o) "Guiyang PMO" means the Project Management Office set up in GMG as described in paragraph 2 of the Schedule to the Project Agreement;
- (p) "Guiyang Zhushui Water Resources Development Company" means the Guiyang Zhushui Water Resources Industrial Development Limited Company, a limited company established and registered with Guiyang Municipal Administration of Industry and Commerce, and responsible for implementation of the Yudongxia Reservoir Subproject as described in paragraph 25 of the Schedule to the Project Agreement;
- (q) "IAs" means the implementing agencies comprising the Baiyun District Government, Huaxi District Government, Nanming District Government, Xiaohe District Government, Wudang District Government, Kaiyang County Government, Xifeng County Government, Xiuwen County Government and Qingzhen City Government, all under the GMG;
- (r) "IEEs" means initial environmental examinations prepared for Subprojects of the Project, including (A) those to be prepared for the non-core Subprojects and (B) those for the core Subprojects as indicated in the following:
 - (i) IEE dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Guiyang Environmental Protection Bureau for the Wudang irrigation rehabilitation subproject;
 - (ii) IEE dated August 2006 prepared by Guizhou Water

Reservation and Hydro-power Design Institute and approved by Guiyang Environmental Protection Bureau for the Huaxi soil and water conservation subproject; and

- (iii) IEE dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Guiyang Environmental Protection Bureau for the Xifeng County small water storage tanks subproject.
- (s) "IWRM" means integrated water resources management;
- (t) "Local PIOs" means the local Project Implementation Offices, each set up in Guiyang Zhushui Water Resources Development Company and the county- or district-level WRBs under the IAs;
- (u) "Local PLGs" means the Project Leading Groups established in the IAs as described in paragraph 3 of the Schedule to the Project Agreement;
- (v) "Local PMOs" means the Project Management Offices established in the IAs as described in paragraph 3 of the Schedule to the Project Agreement;
- (w) "Master Plan" means the Guiyang Integrated Water Resources Master Plan;
- (x) "non-core Subprojects" means the Subprojects which will be selected in accordance with the criteria and procedure agreed between GMG and ADB and set forth in paragraphs 5 through 8 of the Schedule to the Project Agreement;
- (y) "O&M" means operation and maintenance;
- (z) "PES mechanism" means the payment of environmental service mechanism under the Project;
- (aa) "PLG" means the Project Leading Group as described in paragraph 1 of the Schedule to the Project Agreement;
- (bb) "PPMS" means the Project Performance Management System for the Project;
- (cc) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);
- (dd) "Procurement Plan" means the procurement plan for the Project dated 29 September 2009 and agreed between GMG and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (ee) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means GMG or any legal successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(ff) "RF" means the Resettlement Framework, which will be used for resettlement review of the non-core Subprojects;

(gg) "RPs" means resettlement plans prepared for and approved by the concerned authority for the Subprojects, including (A) those to be prepared for the non-core Subprojects, and (B) those for the core Subprojects as indicated in the following:

- (i) full RP dated April 2009 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Guizhou provincial government for the Yudongxia reservoir subproject;
- (ii) short RP dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Xiuwen County Government for Jinlong reservoir subproject;
- (iii) short RP dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Xifeng County Government prepared by GMG for Liaojiuzai reservoir subproject; and
- (iv) short RP dated August 2006 prepared by Guizhou Water Reservation and Hydro-power Design Institute and approved by Wudang District Government for the Wudang irrigation rehabilitation subproject.

(hh) "SEIA" means a summary environmental impact assessment;

(ii) "SIEE" means a summary initial environmental examination;

(jj) "Subprojects" means subprojects to be financed by the proceeds of the Loan, including (i) the core Subprojects; and (ii) the non-core Subprojects;

(kk) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services but excluding consulting services;

(ll) "WRB" means the Water Resources Bureau of GMG or the Water Resources Bureau of an IA, as appropriate;

(mm) "WSC" means a water supply company; and

(nn) "WUA" means a water user association.

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 fifty million Dollars (\$150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in paragraph (c) of this Section.

(c) The term "grace period" as used in paragraph (b) of this Section means the period prior to the first Principal Payment Date of 15 April 2016 in accordance with the amortization schedule set forth 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, less a credit of 0.40% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing sixty (60) days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 April and 15 October 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 withdrawn and outstanding 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 GPG, which shall make the proceeds of the Loan available to GMG, all upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan to be made available to GMG 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 that applied to the Loan; and (iii) GMG bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall cause, through GPG, GMG 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, Works and consulting services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and consulting services 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, Works and consulting 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, Works or consulting 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, Works and consulting 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 2016 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 cause, through GPG, GMG to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and water resources 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 cause GPG to make available to GMG, promptly as needed and on terms and conditions acceptable to ADB, 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, through GPG, GMG to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

ARTICLE V

Effectiveness

Section 5.01. 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 VI

Miscellaneous

Section 6.01. 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 6.02. 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

Facsimile Number:

+86 10 6855 1125

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2534.

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 

JIANCHAO LIU
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

KLAUS GERHÆUSSER
Director General
East Asia Department

SCHEDULE 1

Description of the Project

Impact and Outcome

1. The Project will contribute to sustainable and inclusive socio-economic growth in Guiyang Municipality with corresponding reductions in poverty, especially in rural areas. The outcome will be that water supply and demand in Guiyang Municipality are balanced in a sustainable manner. The Project will contribute to this outcome through non-structural and structural measures needed to address high-priority investments identified in the Master Plan.
2. The Project consists of the following components:
 - a. Urban Water Supply

Establishment of one medium-sized reservoir and two small reservoirs, including the construction of dams, water conveyance tunnels, transmission pipelines, one water treatment plant, and the extension of the municipal water distribution networks.
 - b. Rural Water Supply and Irrigation

Construction of up to 43 small reservoirs: three for county water supply, 20 for water supply and irrigation at the township level, and 20 for human and livestock water supply and small irrigation systems, including investments in water conveyance systems, small township water treatment facilities, and irrigation systems.
 - c. Irrigation System Rehabilitation

Rehabilitation and upgrading of up to nine irrigation systems covering a total area of about 13,030 hectares (equivalent to 195,447 mu), including installation or repair of intake structures, canals, and aqueducts.
 - d. Soil and Water Conservation

Farmland restructuring, conversion of sloping farmland to terraces and tree or grass planting, and fruit tree planting, to protect the upper catchments of the water sources (about 800 square kilometers) from soil and water losses.
 - e. Small Water Storage Structures

Provision of up to 105,100 small water storage tanks in rural areas to catch spring water for human consumption, and rainwater for irrigation and livestock consumption.
3. The Project is expected to be completed by 31 December 2015.

SCHEDULE 2

Amortization Schedule

(Guiyang Integrated Water Resources Management [Sector] 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>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 April 2016	0.827816
15 October 2016	0.869207
15 April 2017	0.912667
15 October 2017	0.958301
15 April 2018	1.006216
15 October 2018	1.056526
15 April 2019	1.109353
15 October 2019	1.164820
15 April 2020	1.223061
15 October 2020	1.284214
15 April 2021	1.348425
15 October 2021	1.415846
15 April 2022	1.486639
15 October 2022	1.560971
15 April 2023	1.639019
15 October 2023	1.720970
15 April 2024	1.807019
15 October 2024	1.897369
15 April 2025	1.992238
15 October 2025	2.091850
15 April 2026	2.196442
15 October 2026	2.306264
15 April 2027	2.421578
15 October 2027	2.542657
15 April 2028	2.669789
15 October 2028	2.803279
15 April 2029	2.943443
15 October 2029	3.090615
15 April 2030	3.245146

15 October 2030	3.407403
15 April 2031	3.577773
15 October 2031	3.756662
15 April 2032	3.944495
15 October 2032	4.141720
15 April 2033	4.348806
15 October 2033	4.566246
15 April 2034	4.794558
15 October 2034	5.034286
15 April 2035	5.286000
15 October 2035	<u>5.550311</u>
TOTAL	<u>100.000000</u>

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, Works, consulting 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)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories 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. Notwithstanding the percentage set for Works in the Table, the withdrawal percentage applied to the Works of the core Subprojects may be increased to 65% as shall agree between the Borrower and ADB.

Reallocation

3. 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, in consultation with 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, in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works and consulting services shall be disbursed in accordance with ADB's "Loan Disbursement Handbook".

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall cause Guizhou Provincial Finance Department to establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement

Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed through the imprest account for the first six months of Project implementation, or (ii) the equivalent of 10 percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower, Guizhou Provincial Finance Department and ADB, subject to that such amount shall not exceed \$200,000 per individual payment.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20 percent of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Guiyang Integrated Water Resources Management [Sector] Project)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing (\$)	Percentage of ADB Financing from the Loan Account
		Category	
1	Works	123,900,000	51.9 percent of total expenditure
2	Equipment and Materials	22,500,000	86.4 percent of total expenditure
3	Consulting Services – Implementation	2,500,000	100 percent of total expenditure*
4	Training and Capacity Building	1,100,000	60 percent of total expenditure
	Total	150,000,000	

*Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping
Community Participation
Force Account

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. National Competitive Bidding. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Borrower and ADB.
5. Community Participation in Procurement. The Borrower may use community participation in procurement for Works contracts for Subprojects for small-scale reservoirs, irrigation system rehabilitation, soil and water conservation and small water storage tanks, in accordance with the agreed procedures set out in the Procurement Plan.

C. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

D. Industrial or Intellectual Property Rights

7. (a) The Borrower shall ensure that all 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.

(b) The Borrower shall ensure that all 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 subparagraph (a) of this paragraph.

8. 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.

E. ADB's Review of Procurement Decisions

9. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project

Project Management

1. The Borrower shall ensure, through GPG, that GMG is the Project Executing Agency responsible for overall Project planning, management, and implementation. The PLG, which has been established and is headed by a vice mayor, shall oversee the preparation and implementation of the Project. The PLG shall comprise representatives from the Financial Bureau, Development and Reform Commission, Construction Bureau, WRB, Environmental Protection Bureau, and other relevant agencies of GMG.

Project Performance Monitoring and Evaluation

2. The Borrower shall ensure, through GPG, that GMG establishes a Project Performance Monitoring System, which will include Project performance and monitoring indicators on Project progress, results of capacity development, water resources management performance and related service levels, the social impact of the Project, user satisfaction with water availability, quality and price, and relevant economic and health data to monitor project impacts.

Counterpart Funding

3. The Borrower shall cause, through GPG, GMG to ensure that GMG and the IAs provide: (a) all local currency counterpart financing necessary for the Subprojects in a timely manner to enable completion of Subproject activities, and (b) any additional counterpart funding as required in the event of any shortfall of funds (including from local banks such as the Guiyang Municipal Commercial Bank) or cost overruns.

Project Review

4. The Borrower, GPG, GMG and ADB shall undertake review missions twice per year, for the first two years and once a year thereafter, and the Borrower, GPG, GMG and ADB shall undertake a midterm review three years after project implementation begins. This review shall include a detailed evaluation of the scope, implementation arrangements, resettlement, achievement of scheduled targets, and progress with capacity development measures.