
LOAN NUMBER 2526-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Xinjiang Urban Transport and Environmental Improvement Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 26 AUGUST 2009

LAL:PRC 40643

LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated 26 August 2009 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 Xinjiang Uygur Autonomous Region Government (hereinafter called XUARG), and for this purpose the Borrower will make available to XUARG the proceeds of the Loan provided for herein upon terms and conditions acceptable 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 and XUARG;

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) "AP(s)" means affected persons, who are affected by land acquisition and resettlement activities under the Project;

(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) "EIA(s)" means Environmental Impact Assessment(s), which is prepared for each Subproject as indicated in the following:

- (i) EIA for the Altay Subproject dated 2 June 2008, prepared by the Xinjiang Ecology and Geology Research Institute of the Chinese Academy of Sciences and approved by Xinjiang Uygur Autonomous Region Environmental Protection Bureau;
- (ii) EIA for the Changji Subproject dated 2 June 2008, prepared by Lehigh Design and Research Institute and approved by the Xinjiang Uygur Autonomous Region Environmental Protection Bureau;
- (iii) EIA for the Hami Subproject dated 2 June 2008, prepared by Lehigh Design and Research Institute and approved by Xinjiang Uygur Autonomous Region Environmental Protection Bureau;
- (iv) EIA for the Kuitun Subproject dated 2 June 2008, prepared by Xinjiang Environmental Protection Technical Consulting Center and approved by Xinjiang Uygur Autonomous Region Environmental Protection Bureau; and
- (v) EIA for the Turpan Subproject dated 2 June 2008, prepared by

Lehigh Design and Research Institute and approved by Xinjiang Uygur Autonomous Region Environmental Protection Bureau;

(d) "EMDP" means Ethnic Minority Development Plan prepared for the Project;

(e) "EMP" means Environmental Management Plan;

(f) "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;

(g) "O&M" means operation and maintenance;

(h) "PLG" means Project Leading Group established to lead implementation of the Project as described in paragraph 1 of Schedule 5 to this Loan Agreement and paragraph 1 of the Schedule to the Project Agreement;

(i) "PMO" means Project Management Office established to manage day-to-day implementation of the Project as described in paragraph 2 of Schedule 5 to this Loan Agreement and paragraph 2 of the Schedule to the Project Agreement;

(j) "PPMS" means Project Performance Management System;

(k) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(l) "Procurement Plan" means the procurement plan for the Project dated 27 May 2009 and agreed between XUARG and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(m) "Project areas" means the areas in which the roads and associated facilities and environmental facility to be constructed under the Project are located;

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

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

(p) "Project Implementing Agency(ies)" or "IA(s)" means the agency(ies) appointed to carry out detailed implementation of the Subproject(s) funded by the proceeds of the Loan, which include the following:

(i) Altay City Government through its Construction Bureau for the Altay Subproject;

- (ii) Changji City Government through its Construction Bureau for the Changji Subproject;
- (iii) Hami City Government through its Construction Bureau for the Hami Subproject;
- (iv) Kuitun City Government through its Construction Bureau for the Kuitun Subproject; and
- (v) Turpan City Government through its Construction Bureau for the Turpan Subproject;

(q) “RP(s)” means resettlement plan(s) prepared for and approved by the concerned authority for a Subproject(s), as indicated in the following:

- (i) RP dated 13 October 2008 prepared by Altay City Construction Bureau for the Altay Subproject and approved by the Altay City Government;
- (ii) RP dated 13 October 2008 prepared by Changji City Construction Commission and approved by Changji City Government for the Changji Subproject;
- (iii) RP dated 13 October 2008 prepared by Hami City Construction Bureau and approved by Hami City Government for the Hami Subproject; and
- (iv) RP dated 13 October 2008 prepared by City Construction Bureau and approved by Turpan City Government for the Turpan Subproject;

(r) “SEIA” means summary environmental impact assessment;

(s) “Subproject(s)” means the subproject(s) to be financed by the proceeds of this Loan described in Schedule 1 to this Loan Agreement;

(t) “Works” means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services; and

(u) “XEPB” means Xinjiang Environmental Protection Bureau.

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 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 1 December 2014 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 1 June and 1 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 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 XUARG upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to XUARG 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) XUARG bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall, through XUARG, cause the proceeds of the Loan to be made available to the IAs through the arrangements and in the respective amounts indicated as follows:

- (i) to Altay City Government in an amount of USD20.0 million;
- (ii) to Changji City Government in an amount of USD30.0 million;
- (iii) to Hami City Government in an amount of USD11.5 million;
- (iv) to Kuitun City Government in an amount of USD17.5 million; and
- (v) to Turpan City Government in an amount of USD21.0 million.

The terms and conditions for the proceeds of the Loan made available to the above mentioned IAs 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; (iii) each concerned IA bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto; and (iv) provisions to ensure that the IA perform the obligations provided in this Loan and Project Agreement, to the extent applicable thereto, by including such obligations and requirements.

(c) The Borrower shall cause XUARG, and through XUARG cause the IAs 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, consulting 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, Works consulting 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, 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 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 acceptable 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 31 December 2014 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 XUARG to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, and urban transport 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 XUARG to, promptly as needed, make available 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 XUARG to perform its obligations under the Project Agreement.

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:

(8610) 6855-1125.

For ADB

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

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 
JIANCHAO LIU
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

Impact and Outcome

1. The impact of the Project is sustainable socioeconomic growth and improved living standards in five cities of Xinjiang.
2. The outcome of the Project is improved urban road infrastructure, traffic management, and environmental sanitation in the cities of Altay, Changji, Hami, Kuitun, and Turpan.

Outputs

3. The Project will (i) construct approximately 37 kilometers (km) of new roads and upgrade approximately 70 km of existing roads; (ii) install traffic signal system, bus stops/bays, and road furniture, including road barriers, pedestrian crossings, signing, marking, and green separators; and (iii) construct and install environmental sanitation facilities such as public toilets, garbage collection stations, garbage cans, as well as provide street sweeper trucks. The outputs of the Project will be delivered by the Subprojects.

Part I. Altay Subproject

Roads Component

Construct/upgrade about 19 municipal roads with a total length of approximately 28 kilo meters (km), including construction of about 3 new roads, and upgrading of about 16 existing roads; construct about 5 new bridges; construct associated road facilities; and purchase road maintenance equipment.

Environmental Improvement Component

Construct public toilets and garbage collection stations; install garbage cans and refuse collection points; and purchase garbage compaction truck(s), rear loader garbage truck(s), street sweeper truck(s), snow removing truck(s), grapple garbage truck(s), excavator(s), wheel loader(s), and dump truck(s).

Part II. Changji Subproject

Roads Component

Construct about 9 new municipal roads with a total length of approximately 23.km, including 1 bridge; construct associated road facilities; and purchase road maintenance equipment.

Environmental Improvement Component

Construct public toilets and garbage collection stations; install garbage cans and refuse collection points; and purchase garbage compaction trucks, garbage trucks,

street sweeper trucks, snow removing trucks, wheeled excavator(s), aerial work vehicle(s), 10t crane(s), tip truck(s), sprinkling vehicle(s) and pesticide spraying vehicle(s).

Part III. Hami Subproject

Roads Component

Upgrade about 3 municipal roads, with a total length of approximately 9 km; construct about 3 culverts, construct associated road facilities; and purchase road maintenance equipment.

Environmental Improvement Component

Install garbage cans, and purchase street sweeper trucks and cleaning truck(s).

Part IV. Kuitun Subproject

Roads Component

Upgrade about 13 municipal roads, with a total length of approximately 24 km, including 2 trunk roads, 2 secondary roads, 9 branch roads, and construct 2 bridges; construct associated road facilities; and purchase road maintenance equipment.

Environmental Improvement Component

Construct public toilets and garbage collection stations; install garbage cans, garbage containers and rest stations for environmental sanitation workers; and purchase garbage compaction trucks, street sweeper trucks, snow removing trucks, and sprinkling vehicles.

Part V. Turpan Subproject

Roads Component

Construct/upgrade about 14 municipal roads, with a total length of approximately 23 km, including 5 trunk roads, 7 secondary roads, and 2 branch roads; construct 2 culverts, construct associated road facilities; and purchase road maintenance equipment.

Environmental Improvement Component

Construct public toilets and garbage collection stations; install garbage cans and garbage containers; and purchase garbage compaction trucks, street sweeper trucks, and sprinkling vehicles.

Part VI. Institutional Development and Capacity Building

The Project also provides for institutional development and capacity building to ensure effective implementation of the Project and sustainable O&M of the Project

facilities, including provision of (i) project management consulting services, and (ii) training during Project implementation.

4. The Project is expected to be completed by 30 June 2014.

SCHEDULE 2

Amortization Schedule

(Xinjiang Urban Transport and Environmental Improvement 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 %)
1 Dec 2014	1.483623
1 Jun 2015	1.520714
1 Dec 2015	1.558731
1 Jun 2016	1.597700
1 Dec 2016	1.637642
1 Jun 2017	1.678583
1 Dec 2017	1.720548
1 Jun 2018	1.763562
1 Dec 2018	1.807651
1 Jun 2019	1.852842
1 Dec 2019	1.899163
1 Jun 2020	1.946642
1 Dec 2020	1.995308
1 Jun 2021	2.045191
1 Dec 2021	2.096320
1 Jun 2022	2.148728
1 Dec 2022	2.202447
1 Jun 2023	2.257508
1 Dec 2023	2.313946
1 Jun 2024	2.371794
1 Dec 2024	2.431089
1 Jun 2025	2.491866
1 Dec 2025	2.554163

Schedule 2

1 Jun 2026	2.618017
1 Dec 2026	2.683467
1 Jun 2027	2.750554
1 Dec 2027	2.819318
1 Jun 2028	2.889801
1 Dec 2028	2.962046
1 Jun 2029	3.036097
1 Dec 2029	3.112000
1 Jun 2030	3.189800
1 Dec 2030	3.269544
1 Jun 2031	3.351283
1 Dec 2031	3.435065
1 Jun 2032	3.520942
1 Dec 2032	3.608965
1 Jun 2033	3.699189
1 Dec 2033	3.791669
1 Jun 2034	3.886482
TOTAL	100.000000

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.

Schedule 2

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 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, 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, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account: Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause Finance Bureau of XUARG 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, 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 for the first six months of Project implementation to be financed from the imprest account, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for eligible expenditures of the Project 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 and ADB. Any individual payment to be reimbursed, liquidated or replenished under the SOE procedure shall not exceed \$200,000. The payments in excess of SOE ceiling shall be reimbursed, liquidated or replenished based on full supporting documentation process.

Retroactive Financing

7. 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.

Allocation and Withdrawal of Loan Proceeds (Xinjiang Urban Transport and Environmental Improvement Project)				
Category				ADB Financing
Number	Item	Amount Allocated \$		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Civil Works	68,420,000		
1.1	Altay Subproject		11,430,000	59 percent of total expenditure
1.2	Changji Subproject		22,110,000	80 percent of total expenditure
1.3	Hami Subproject		8,785,000	74 percent of total expenditure
1.4	Kuitun Subproject		12,285,000	58 percent of total expenditure
1.5	Turpan Subproject		13,810,000	80 percent of total expenditure
2	Equipment *	20,980,000		
2.1	Altay Subproject		6,410,000	100 percent of total expenditure
2.2	Changji Subproject		4,760,000	100 percent of total expenditure
2.3	Hami Subproject		1,380,000	100 percent of total expenditure
2.4	Kuitun Subproject		3,760,000	100 percent of total expenditure
2.5	Turpan Subproject		4,670,000	100 percent of total expenditure
3	Institutional Strengthening & Training	1,500,000		100 percent of total expenditure
4	Interest and Commitment Charge	9,100,000		Amounts due
Total		100,000,000		

* Including taxes and duties.

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 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

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. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.
5. 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.

C. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.
7. With regard to training as a part of capacity building under the Project, the training will be provided by institutions, organizations or individuals selected in accordance with the Procurement Guidelines.

D. Industrial or Intellectual Property Rights

8. (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.

9. 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

10. 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 and Financial Matters

Implementation Arrangements

1. XUARG shall be the EA for the Project. The PLG, which has been established and led by a Vice Chairperson of XUARG, shall provide overall guidance and support to the preparation and implementation of the Project and to liaise with ADB.
2. The PMO, which has been established under the PLG, chaired by the director of the Xinjiang Construction Bureau and including, as its members, the officials from the Xinjiang Construction Bureau, Xinjiang Finance Bureau, and Xinjiang Development and Reform Commission shall undertake day-to-day activities, including interdepartmental coordination and liaison with the consulting team and ADB on matters relating to the preparation and implementation of the Project.
3. The five city governments listed below shall be the IAs, specifically responsible for implementation of the respective Subprojects in their cities, including construction and O&M of the Project facilities:
 - (i) Altay City Government through its Construction Bureau for the Altay Subproject;
 - (ii) Changji City Government through its Construction Bureau for the Changji Subproject;
 - (iii) Hami City Government through its Construction Bureau for the Hami Subproject;
 - (iv) Kuitun City Government through its Construction Bureau for the Kuitun Subproject; and
 - (v) Turpan City Government through its Construction Bureau for the Turpan Subproject.

Counterpart Financing

4. XUARG shall cause each IA to ensure that (a) all local and foreign currency counterpart financing necessary for the Project be provided in time as required to enable completion of Project activities; (b) additional counterpart funding be provided for any shortfall of funds or cost overruns; and (c) in each fiscal year adequate funds be allocated for O&M of the Project facilities to ensure that such facilities be operated and maintained in good condition.