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LOAN NUMBER 2657-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Guangxi Southwestern Cities Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 24 JANUARY 2011

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LAL:PRC 42010

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 24 January 2011 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 Guangxi Zhuang Autonomous Region Government (hereinafter called GZARG), Fangzhenggang Municipal Government (hereinafter called FMG), Chongzuo Municipal Government (hereinafter called CMG), and Baise Municipal Government (hereinafter called BMG) and for this purpose the Borrower will make available through GZARG a portion of the proceeds of the Loan to each of FMG, CMG and BMG 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 and GZARG;

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) "BCDIC" means Baise City Development Investment Company Limited, which is a limited liability company wholly owned by BMG and incorporated under a registration certificate issued by Baise City Administration of Industry and Commerce;

(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) "CUCIC" means Chongzuo Urban Construction and Investment Company Limited, a limited liability company wholly owned by CMG and incorporated under a registration certificate issued by Chongzuo City Administration of Industry and Commerce;

(d) "EIA" means each of the following:

- (i) EIA dated September 2009 prepared by Institute of Industry EP & D, Zhejiang Province for the Fangchenggang Road Network and Related Municipal Infrastructure Component described under Component I in paragraph 2 of Schedule 1 to this Loan Agreement;
- (ii) EIA dated August 2009 prepared by Guangxi Zhuang Autonomous Environmental Protection Science Academy for the Fangchenggang Coastal Protection and Upgrading Component described under Component II in paragraph 2 of Schedule 1 to this Loan Agreement;
- (iii) EIA dated June 2009 and EIA dated July 2009 prepared by Guangxi Zhuang Autonomous Environmental Protection Science Academy for Chongzuo Road Network and Related Municipal Infrastructure Component described under Component III in paragraph 1 of Schedule 1 to this Loan Agreement;

- (iv) EIA dated September 2009 prepared by Chongzuo City Environmental Science Institute for the Chongzuo Shuikou Lake Environmental Improvement Component described under Component IV in paragraph 2 of Schedule 1 to this Loan Agreement;
  - (v) EIA dated August 2009 prepared by Guangxi Communications Science Research Institute for the Baise Road Network and Related Municipal Infrastructure Component described under Component V in paragraph 2 of Schedule 1 to this Loan Agreement; and
  - (vi) EIA dated July 2009 prepared by Guangxi Communications Science Research Institute for the Baise Longwang Bridge Component described under Component VI in paragraph 2 of Schedule 1 to this Loan Agreement;
- (e) “EMP” means Environmental Management Plan prepared for the Project;
- (f) “FPDUCIC” means Fangchenggang Port District Urban Construction and Investment Company Limited, a limited liability company wholly owned by the Port District Government under Fangchenggang City and incorporated under a registration certificate issued by Fangchenggang City Administration of Industry and Commerce;
- (g) “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;
- (h) “GPMO” means an inter-departmental project management office at the regional government level established in GDRC as described in paragraph 1 of Schedule 5 to this Loan Agreement and paragraph 1 of the Schedule to the Project Agreement;
- (i) “MPMO” means an inter-agency municipal project management office set up under each FMG, CMG and BMG as described in detail in paragraph 2 of Schedule 5 to this Loan Agreement and in paragraph 2 of the Schedule to the Project Agreement;
- (j) “PPMS” means Project Performance Monitoring System to be prepared for and applied during Project implementation according to paragraphs 30 and 32 of the Schedule to the Project Agreement;
- (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 12 June 2010 and agreed between ADB and GZARG, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(m) “Project Cities” means Fangchenggang City, Chongzuo City and Baise City;

(n) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means GZARG, which is responsible for the overall implementation of the Project;

(o) “Project facilities” means the equipment provided and facilities installed under the Project;

(p) “Project Implementing Agency” or “IA” means each of the following municipal governments, or any successor thereto acceptable to ADB:

- (i) FMG for the Fangchenggang Road Network and Related Municipal Infrastructure Component and the Fangchenggang Coastal Protection and Upgrading Component;
- (ii) CMG for the Chongzuo Road Network and Related Municipal Infrastructure Component and the Chongzuo Shuikou Lake Environmental Improvement Component; and
- (iii) BMG for the Baise Road Network and Related Municipal Infrastructure Component and the Baise Longwang Bridge Component;

(q) “Project Implementation Agreement” means each of the agreements to be entered into, respectively, between FMG and FPDUCIC, between CMG and CUCIC, and between BMG and BCDIC, as provided for in paragraph 3 of Schedule 5 to this Loan Agreement and paragraph 3 of the Schedule to the Project Agreement;

(r) “Project Implementation Company” or “PIC” means each of the following companies:

- (i) FPDUCIC, responsible for implementing the Fangchenggang Road Network and Related Municipal Infrastructure Component and the Fangchenggang Coastal Protection and Upgrading Component in Fangchenggang City;
- (ii) CUCIC, responsible for implementing the Chongzuo Road Network and Related Municipal Infrastructure Component and the Chongzuo Shuikou Lake Environmental Improvement Component in Chongzuo City.
- (iii) BCDIC, responsible for implementing the Baise Road Network and Related Municipal Infrastructure Component and the Baise Longwang Bridge Component in Baise City.

- (s) “RP” means each of the following:
- (i) Resettlement Plan dated November 2009 prepared by BCDIC for the Baise Road Network and Related Municipal Infrastructure Component and the Baise Longwang Bridge Component;
  - (ii) Resettlement Plan dated December 2009 prepared by CUCIC for the Chongzuo Road Network and Related Municipal Infrastructure Component of the Project;
  - (iii) Resettlement Plan dated December 2009 prepared by CUCIC for the Chongzuo Shuikou Lake Environmental Improvement Component;
  - (iv) Resettlement Plan dated November 2009 prepared by FPDUCIC for the Fangchenggang Road Network and Related Municipal Infrastructure Component; and
  - (v) Resettlement Plan dated November 2009 prepared by FPDUCIC for the Fangchenggang Coastal Protection and Upgrading Component;
- (t) “SEIA” means Summary Environmental Impact Assessment; and
- (u) “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.

## **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 January 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 January and 15 July 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 GZARG upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for making the proceeds of the Loan available to GZARG shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a grace period and a principal repayment period identical to those applied to the Loan; and (iii) GZARG bearing the foreign exchange and interest rate variation risks.



(b) The Borrower shall cause GZARG to make the proceeds of Loan available to FMG, CMG and BMG in the following amounts:

- (i) to FMG, in an amount of \$70,000,000;
- (ii) to CMG, in an amount of \$40,000,000; and
- (iii) to BMG, in an amount of \$40,000,000.

The funds in the above mentioned respective amounts shall be made available to BMG, CMG and FMG upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for making the proceeds of the Loan available to each of FMG, CMG and BMG shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a grace period and a repayment period identical to those applied to the Loan; and (iii) each FMG, CMG and BMG bearing the foreign exchange and interest rate variation risks associated with the portion of the Loan proceeds made available to each of them.

(c) The Borrower shall cause GZARG, FMG, CMG and BMG 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 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 and 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 are not consistent with ADB's guidelines.

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 2015 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 GZARG to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and urban development 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 GZARG to make available to FMG, CMG and BMG, 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 GZARG, through GZARG enable FMG, CMG and BMG, to perform their respective 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:

(8610) 6855-1125

For ADB

Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro 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   
\_\_\_\_\_  
KLAUS GERHÆUSSER  
Director General  
East Asia Department

## SCHEDULE 1

### Description of the Project

#### Impact and Outcome

1. The impact of the Project will be improved living conditions in Project Cities and these Project Cities' increased ability to participate in and benefit from regional economic cooperation and integration. The outcome of the Project will be upgraded and integrated urban infrastructure and urban environment that will help the above three cities meet their long-term urban development needs.

#### Outputs

2. The Project will generate outputs through the following seven Components:

##### **I. Fangchenggang Road Network and Related Municipal Infrastructure Component**

Constructing (a) about 27.6 kilometers (km) of urban roads including one bridge with a length of 210 meters (m); and (b) related municipal infrastructure, including water supply pipeline, drainage system, sewerage pipeline, lighting, traffic control facilities, and landscaping.

##### **II. Fangchenggang Coastal Protection and Upgrading Component**

Building (a) 9.2 km of coastal dykes, (b) a 2.5-hectare (ha) mangrove public education square, and (c) related auxiliary facilities.

##### **III. Chongzuo Road Network and Related Municipal Infrastructure Component**

Building (a) about 13.0 km of urban roads; and (b) related municipal infrastructure, including water supply pipeline, drainage system, sewerage pipeline, lighting, traffic control facilities, and landscaping.

##### **IV. Chongzuo Shuikou Lake Environmental Improvement Component**

(a) Clearing the garbage, and fish and duck farming on the lake, (b) dredging the surface area of 78 ha, (c) removing coffer weirs that block water flow, (d) rehabilitating lake banks, (e) building lakeside pedestrian paths, and (f) controlling pollution for lakeside point and non-point sources.

##### **V. Baise Road Network and Related Municipal Infrastructure Component**

Building (a) 3.7 km of urban roads; and (b) related municipal infrastructure, including water supply pipeline, drainage system, sewerage pipeline, lighting, traffic control facilities, and landscaping.

**VI. Baise Longwang Bridge Component**

Building (a) the Longwang bridge with a length of 563 m; and (b) the related municipal infrastructure, including water supply pipeline, drainage system, sewerage pipeline, lighting, traffic control facilities, and landscaping.

**VII. Capacity Development**

(a) Provide technical assistance, including international experiences and best practices, to design and conduct a demand-based capacity development program for GZARG and Fangchengang, Chongzuo and Baise Cities in the field of planning and implementation of an integrated and sustainable urban transport system; and (b) Provide technical support including relevant trainings to GZARG and the above mentioned three cities to ensure that the Project will be implemented in full compliance with ADB policy and operational requirements.

3. The Project is expected to be completed by 30 June 2015.

**SCHEDULE 2****Amortization Schedule****(Guangxi Southwestern Cities Development 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 January 2016	2.500000
15 July 2016	2.500000
15 January 2017	2.500000
15 July 2017	2.500000
15 January 2018	2.500000
15 July 2018	2.500000
15 January 2019	2.500000
15 July 2019	2.500000
15 January 2020	2.500000
15 July 2020	2.500000
15 January 2021	2.500000
15 July 2021	2.500000
15 January 2022	2.500000
15 July 2022	2.500000
15 January 2023	2.500000
15 July 2023	2.500000
15 January 2024	2.500000
15 July 2024	2.500000
15 January 2025	2.500000
15 July 2025	2.500000
15 January 2026	2.500000
15 July 2026	2.500000
15 January 2027	2.500000
15 July 2027	2.500000
15 January 2028	2.500000
15 July 2028	2.500000
15 January 2029	2.500000
15 July 2029	2.500000
15 January 2030	2.500000
15 July 2030	2.500000

15 January 2031	2.500000
15 July 2031	2.500000
15 January 2032	2.500000
15 July 2032	2.500000
15 January 2033	2.500000
15 July 2033	2.500000
15 January 2034	2.500000
15 July 2034	2.500000
15 January 2035	2.500000
15 July 2035	2.500000
<b>TOTAL</b>	<b>100.000000</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, 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 and agreement 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 and agreement with 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 GZARG 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 to be financed through the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for liquidation and replenishment of imprest account and reimbursement of eligible expenditures not exceeding \$200,000 per individual payment, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB.

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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Guangxi Southwestern Cities Development Project)				
CATEGORY				ADB FINANCING BASIS
No.	Item	Total amount allocated for ADB financing		Percentage of ADB Financing from the Loan Account
		(\$)		
		Category	Subcategory	
1	Civil Works	126,930,000		
1A	Fangchenggang City			
1A1	Fangchenggang City: Urban Road Network and Related Municipal Infrastructures		41,520,000	86% of total expenditure claimed*
1A2	Fangchenggang City: Coastal Protection and Upgrading		15,440,000	86% of total expenditure claimed*
1B	Chongzuo City			
1B1	Chongzuo City: Urban Road Network and Related Municipal Infrastructures		29,970,000	90% of total expenditure claimed*
1B2	Chongzuo City: Shuikou Lake Environmental Improvement		4,120,000	90% of total expenditure claimed*
1C	Baise City			
1C1	Baise City: Urban Road Network and Related Municipal Infrastructures		22,880,000	71% of total expenditure claimed*
1C2	Baise City: Longwang Bridge		13,000,000	71% of total expenditure claimed*
2	Goods	7,830,000		
2A	Fangchenggang City: Street Lights Procurement and Installation		6,040,000	100% of total expenditure claimed
2B	Chongzuo City: Street Lights Procurement and Installation		1,790,000	100% of total expenditure claimed
3	Capacity Development	2,800,000		100% of total expenditure claimed
4	Interest and Commitment Charge	12,440,000		100% of amount due
	Total	150,000,000		

## 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 Work 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. Condition for Award of Contract

6. The Borrower shall not award any Goods and Works contracts financed under the Loan relating to the Components undertaken by any IA until the Borrower shall inform ADB that the Implementation Agreement as provided for in paragraph 4 of Schedule 5 to this Loan Agreement and paragraph 4 of Schedule to the Project Agreement shall have been executed by and have become legally binding upon such IA and the PIC which is engaged to carry out the concerned Components.

**D. Selection of Consulting Services**

7. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall (i) apply quality- and cost-based selection for selecting and engaging consulting services for capacity development; (ii) apply consultant's qualifications selection for external resettlement monitoring; (iii) recruit the individual consultants in the area of procurement and project management and resettlement in accordance with procedures acceptable to ADB for recruiting individual consultants.

**E. 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.

**F. 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 Operation of Project Facilities

#### Executing Agency and Guangxi Project Management Office

1. The EA for the Project shall be GZARG, with a vice governor having been designated to provide overall guidance and support for the preparation and implementation of the Project. GPMO, the inter-departmental project management office at the regional government level established by GZARG, shall carry out the day-to-day activities of the Project and provide coordination support for preparation and implementation of the Project across the Project Cities. GPMO shall comprise Guangxi Development Reform Commission, Guangxi Finance Department, Guangxi Housing and Construction Department, Guangxi Environmental Protection Department, Guangxi State Land Resources Department, and the Project Cities as its members.

#### Project Implementing Agency and Municipal Project Management Office

2. FMG, CMG, and BMG shall be the IAs of the Project responsible for implementation of the concerned Components in the three Project Cities. Three inter-agency MPMOs set up respectively in FMG, CMG and BMG shall be responsible for undertaking day-to-day activities of the concerned Components of the Project and providing coordination support for preparation and implementation of the concerned Components of the Project within the concerned Project Cities.

#### Project Implementation Company and Project Implementation Arrangement

3. The following three PICs shall be engaged under Project Implementation Agreements for directly implementing the Project Components in the three Project Cities:

- (i) FPDUCIC for the Fangchenggang Road Network and Related Municipal Infrastructure Component and the Fangchenggang Coastal Protection and Upgrading Component.
- (ii) CUCIC for the Chongzuo Road Network and Related Municipal Infrastructure Component and the Chongzuo Shuikou Lake Environmental Improvement Component; and
- (iii) BCDIC for the Baise Road Network and Related Municipal Infrastructure Component and the Baise Longwang Bridge Component;

4. GZARG, FMG, CMG, and BMG shall, and shall cause the PICs to, ensure that all the project implementation procedures agreed upon with ADB be followed, including environmental and social safeguard requirements.

5. GPMO shall be responsible for implementation of the capacity development component of the Project.

Provision of Counterpart Funding

6. The Borrower shall cause GZARG, and through GZARG cause FMG, CMG, and BMG, to ensure (a) timely provision of counterpart financing necessary for the Project and provision of additional counterpart funding for any shortfall of funds or cost overrun, and (b) adequate funding for operation and maintenance of the Project facilities.

Change of Ownership, Organizational Structure and Assets

7. The Borrower shall cause GZARG, FMG, CMG or BMG to ensure that in the event that (a) any change in ownership of a relevant PIC, or (b) any sale, transfer, or assignment of the responsibilities of a relevant PIC under the Project is anticipated, ADB be informed and consulted at least six (6) months prior to the anticipated change, or sale, transfer, or assignment.

8. The Borrower shall through GZARG ensure that FMG, CMG, and BMG shall ensure, and shall cause through FMG, CMG and BMG the PICs to ensure, that no material organizational changes (either financial, operational, or structural) to, nor material asset transfers to or from PICs be formally approved or implemented without the prior approval of GZARG and ADB, if such changes would affect a PIC's ability to perform its obligations under the concerned Project Implementation Agreement. The Borrower shall ensure through GZARG that FMG, CMG, BMG, and PICs ensure that any such change shall be made in a lawful and transparent manner.