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LOAN NUMBER 2759-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Xinjiang Altay Urban Infrastructure and Environment Improvement Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 3 AUGUST 2011

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LAL: PRC 43024

## **LOAN AGREEMENT (Ordinary Operations)**

LOAN AGREEMENT dated 3 August 2011 between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and ASIAN DEVELOPMENT BANK ("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 Xinjiang Uygur Autonomous Region Government ("XUARG") through the Altay Prefecture Government, and for this purpose the Borrower will make available to XUARG, the Loan proceeds 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 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 ("Loan Regulations"), 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:

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

**Commitment Charge; Credit.** (a) 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.

(b) 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:

(a) 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.

(b) 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:

(a) 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.

(b) 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) "APG" means the Altay Prefecture Government within XUAR;

(c) "Components" means 26 components within Outputs, to be implemented in the Project Counties, including road, water supply, wastewater, solid waste, heating and infrastructure subcomponents, as detailed in the PAM;

(d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(e) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(f) "County Government(s)" means the governments of any of the Project Counties;

(g) "EA" or "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means APG or any successor thereto, acceptable to ADB, which is responsible for the overall implementation and coordination of the Project;

(h) "EIA" means Environmental Impact Assessment prepared for the Project and circulated to ADB's Board of Director on 12 November 2010;

(i) "EMDP" means Ethnic Minority Development Plan dated 8 February 2011, prepared for the Project, as updated and agreed between XUARG and ADB;

(j) "EMP" means Environment Management Plan dated 12 November 2010, prepared for the Project;

(k) "EPBs" means Project Counties' or Altay Prefecture's Environmental Protection Bureaus;

(l) "GAP" means Gender Action Plan prepared for the Project, as updated and agreed between XUARG and ADB;

(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) "HIV/AIDs" means human immunodeficiency virus/acquired immune deficiency syndrome;

(o) "IA(s)" or "Implementation Agencies" means the County Governments or any successor thereto acceptable to ADB;

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

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

(r) "Outputs" means 7 outputs to be implemented under the Project in Project Counties, as provided in paragraph 2 of Schedule 1 to this Loan Agreement;

(s) "PAM" means the Project administration manual for the Project dated 15 April 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(t) "PMO" means any of the Project management offices as described in paragraph 2 of Schedule to the Project Agreement;

(u) "PPMS" means the project performance management system developed for the Project, as updated and agreed between XUARG and ADB;

(v) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(w) "Procurement Plan" means the procurement plan for the Project dated 15 April 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(x) "Project County" means any of Buerjin County, Fuhai County, Habahe County, Jimunai County or Qinghe County in Altay Prefecture; and "Project Counties" means all of them;

(y) "Project facilities" means the Goods and Works provided, and facilities constructed under the Project;

(z) "RP(s)" or "Resettlement Plan(s)" means Resettlement Plans prepared for each Project County, as updated and agreed between XUARG and ADB;

(aa) "SAP" means the Social Action Plan prepared for the Project, as updated and agreed between XUARG and ADB;

(bb) “SPS” means ADB’s *Safeguards Policy Statement* (2009);

(cc) “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;

(dd) “WWTP” means wastewater treatment plant;

(ee) “XUAR” means the Borrower’s Xinjiang Uygur Autonomous Region;  
and

(ff) “XUARG” means XUAR Government.

## 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 2017 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 0.30% 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 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 cause XUARG to make the proceeds of the Loan available to County Governments, through APG upon terms and conditions and in the respective amounts indicated as follows:

- (i) to Buerjin County Government in an amount of \$25,000,000;
- (ii) to Fuhai County Government in an amount of \$20,000,000;
- (iii) to Habahe County Government in an amount of \$20,000,000;
- (iv) to Jimunai County Government in an amount of \$20,000,000; and
- (v) to Qinghe County Government in an amount of \$15,000,000.

The terms and conditions for the loan proceeds made available to the above mentioned County Governments shall be acceptable to ADB, which, among others, shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to those applied to the Loan; and

(iii) each County Government bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(c) The Borrower shall cause APG, through XUARG, to ensure that County Governments 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 proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure or cause to be procured the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has 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 items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2018 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 APG, through XUARG, to ensure that IAs carry out the Project with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and 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 make available, through XUARG, to APG and through APG to IAs, promptly as needed, the funds, facilities, services, land and other resources, as 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 actions which shall be necessary on its part to enable XUARG 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:

+8610 6855-1125.

#### For ADB

Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

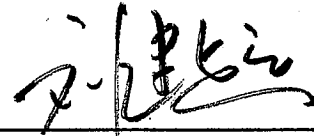
## Facsimile Numbers:

+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 as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF CHINA

By

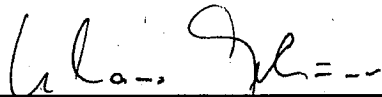


LIU JIANCHAO

Authorized Representative

ASIAN DEVELOPMENT BANK

By



KLAUS GERHÆUSSER

Director General  
East Asia Department

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to respond to the infrastructure needs of XUAR by providing essential road, water supply, wastewater and solid waste management, and centralized heating infrastructure to Project Counties. The Project adopts an integrated approach to infrastructure planning and environment rehabilitation to maximize the benefits from individual sector improvements. The Project will also: (a) enhance protection of human health; (b) lessen environmental degradation; and (c) promote economic use of resources.
2. The Project will comprise the following Outputs which will be implemented through Components:
  - (a) **Construction and Upgrading of Roads**, including construction and/or upgrading of approximately 59 kilometers (km) of roads of varying widths and capacities, including lighting, signage and traffic controls;
  - (b) **Water Supply**, including construction of 4 new water supply plants with a total capacity of approximately 16,890 cubic meters per day (m<sup>3</sup>/d), and laying of water pipes with a total length of about 153 km;
  - (c) **Wastewater Treatment and Disposal**, including construction of 6 new WWTPs with a total capacity of approximately 31,200 m<sup>3</sup>/d and approximately 78 km of collector and trunk sewers;
  - (d) **Solid Waste Management**, including construction of 5 new landfills with a total capacity of approximately 238 tons/day, approximately 11 km of access roads, approximately 10 kV power line, transfer stations, multiple waste collection points, the provision of transport and auxiliary equipment, and environmental improvement of 5 existing landfills;
  - (e) **Centralized Heating Supply**, including 2 new or upgraded central heating coal fired boiler stations, 15 heating exchange stations and heating pipes with a length of approximately 18 km;
  - (f) **White Birch Forest Scenic Area Infrastructure**, including new construction of infrastructure for White Birch Forest; and
  - (g) **Project Management and Institutional Capacity Building**, including capacity building of agencies involved in the Project, to promote the effective implementation and sustainable O&M of Project facilities.
3. The Project includes the provision of Consulting Services to provide: (i) support for Project implementation and management; and (ii) provision of training to all agencies involved in the Project implementation.
4. The Project is expected to be completed by 31 December 2017.

## SCHEDULE 2

### Amortization Schedule

#### (Xinjiang Altay Urban Infrastructure and Environment 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.

Payment Due	Installment Share (Expressed as a %)
01 December 2017	0.827816
01 June 2018	0.869207
01 December 2018	0.912667
01 June 2019	0.958301
01 December 2019	1.006216
01 June 2020	1.056526
01 December 2020	1.109353
01 June 2021	1.164820
01 December 2021	1.223061
01 June 2022	1.284214
01 December 2022	1.348425
01 June 2023	1.415846
01 December 2023	1.486639
01 June 2024	1.560971
01 December 2024	1.639019
01 June 2025	1.720970
01 December 2025	1.807019
01 June 2026	1.897369
01 December 2026	1.992238
01 June 2027	2.091850
01 December 2027	2.196442
01 June 2028	2.306264
01 December 2028	2.421578
01 June 2029	2.542657
01 December 2029	2.669789
01 June 2030	2.803279
01 December 2030	2.943443
01 June 2031	3.090615
01 December 2031	3.245146

01 June 2032	3.407403
01 December 2032	3.577773
01 June 2033	3.756662
01 December 2033	3.944495
01 June 2034	4.141720
01 December 2034	4.348806
01 June 2035	4.566246
01 December 2035	4.794558
01 June 2036	5.034286
01 December 2036	5.286000
01 June 2037	5.550311
<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 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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 items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("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, each item of expenditure 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 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 shall be disbursed in accordance with Loan Disbursement Handbook.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause the Finance Bureau of XUARG 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 the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be the Dollar. The ceiling for the imprest account shall not exceed the lower of (i) the estimated expenditure, to be financed through the imprest account, for 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount.

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

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of eligible 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 \$20,000,000.



TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Xinjiang Altay Urban Infrastructure and Environment Improvement Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	50,036,000		
1A	Buerjin County		8,878,000	53.4 percent of total expenditure claimed
1B	Fuhai County		12,539,000	64.8 percent of total expenditure claimed
1C	Habahe County		13,042,000	69.6 percent of total expenditure claimed
1D	Jimunai County		10,282,000	60.5 percent of total expenditure claimed
1E	Qinghe County		5,295,000	55.1 percent of total expenditure claimed
2	Equipment	41,059,000		
2A	Buerjin County		13,908,000	100 percent of total expenditure claimed
2B	Fuhai County		5,730,000	100 percent of total expenditure claimed
2C	Habahe County		5,079,000	100 percent of total expenditure claimed
2D	Jimunai County		8,012,000	100 percent of total expenditure claimed
2E	Qinghe County		8,330,000	100 percent of total expenditure claimed
3	Capacity Building	1,500,000		100 percent of total expenditure claimed
4	Interest and Commitment Charge	7,405,000		100 percent of amount due
	Total	100,000,000		

## **SCHEDULE 4**

### **Procurement of Goods and Works, and Consulting Services**

#### General

1. The procurement of Goods, Works and Consulting Services 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.

#### Procurement of 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:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.
4. 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.

#### Domestic Preference

5. 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.

#### National Competitive Bidding

6. 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 approval of such change by the Borrower and ADB.

#### Selection of Consulting Services

7. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

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.

ADB's Review of Procurement Decisions

10. 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; Financial Matters**

#### Implementation Arrangements

1. The Borrower shall ensure through XUARG that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by ADB and XUARG. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Counterpart Financing

2. The Borrower shall ensure through XUARG that APG cause County Governments to ensure that: (a) counterpart funding is provided in a timely manner, including any additional counterpart funding required for any shortfall of funds or cost overruns; and (b) O&M of all Project facilities is fully funded.

#### Change in Ownership

3. The Borrower shall, through XUARG, cause APG to, ensure that during the Project implementation, in the event of (a) any change in the ownership or control of the Project facilities; or (b) any sale, transfer or assignment of share or interest that results in change of control in any IA is anticipated, the Borrower shall, through XUARG, cause the relevant IA to, consult with ADB at least 6 months prior to the implementation of such change. The Borrower, through XUARG shall, and shall cause IAs to, ensure that any such change shall be made in a lawful manner.