
LOAN NUMBER 3294-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Shaanxi Mountain Road Safety Demonstration Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 8 DECEMBER 2015

PRC 46042

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 8 December 2015 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 Shaanxi Provincial Government ("SPG"), through Shaanxi Provincial Transportation Department ("SPTD"), and for this purpose the Borrower will make available to SPG, the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("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 2.01(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB of the one part and Shaanxi Provincial Government ("SPG") of the other part.

(b) The term "Project Executing Agency" appearing in Section 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "Shaanxi Provincial Transportation Department".

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

Commitment Charge; Credit; Maturity Premium. (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 credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

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

Rebate. (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.

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

Surcharge. (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, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan to carry out Output 4 in paragraph 2 of Schedule 1 to this Loan Agreement;

(c) "Environmental Impact Assessment" or "EIA" means the consolidated environmental impact assessment plan for the Project, including any updates thereto, prepared and submitted by SPTD and cleared by ADB;

(d) "Environmental Management Plan" or "EMP" means the consolidated environmental management plan for the Project, including any update thereto, incorporated in the EIA;

(e) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(f) “FFPO” means the Foreign Financed Project Office within the SPTD, responsible for day-to-day Project coordination and liaison, including coordination and liaison with ADB during Project implementation to ensure that the Project is implemented in accordance with ADB guidelines and requirements;

(g) “GAP” means the gender action plan for the Project, including any updates thereto, as described in the PAM;

(h) “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;

(i) “HIV/AIDS” means the human immunodeficiency virus/acquired immune deficiency syndrome;

(j) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(k) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(l) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(m) “Management Letter” means formal communications from the auditor to the client management in accordance with the International Standard on Auditing 265 (communicating deficiencies in internal control to those charged with governance and management), which is not required to be provided separately as it is equivalent to the Audit Findings and Recommendations prepared by the Project auditor and submitted to ADB;

(n) “PAM” means the project administration manual for the Project dated 14 August 2015 and agreed between the Borrower through SPTD and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(o) “PMO” means each of the project management office established under each Project Implementing Agency for each Project city, each a PMO and collectively “PMOs”;

(p) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);

(q) “Procurement Plan” means the procurement plan for the Project dated 14 August 2015 and agreed between the SPTD and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(r) “Project Executing Agency” for the purposes of, and within the meaning of the Loan Regulations means SPTD, which is responsible for the overall carrying out of the Project;

(s) “Project facilities” means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;

(t) “Project Implementing Agencies” means (i) the Ankang City Traffic Bureau, responsible for the implementation of the trunk roads, rural roads and road safety component located inside Ankang City and (ii) Shangnan County Government, responsible for the implementation of the trunk roads, rural roads and road safety component located inside Shangnan County (each a “Project Implementing Agency” and collectively, “Project Implementing Agencies”), or any alternatives or successors thereto acceptable to ADB;

(u) “Resettlement Framework” or “RF” means the resettlement framework prepared for Output 3 of the Project described in Schedule 1 hereto, including any updates thereto, prepared to assess any potential land acquisition and relocation impacts of implementation of road safety features for rural roads prepared in accordance with SPS and submitted by the SPTD and cleared by ADB;

(v) “Resettlement Plans” or “RPs” means the five resettlement plans prepared for the Project which include resettlement plans related to the following components: (i) Hanbin Highway Road, (ii) Xunyang Highway Road, (iii) Xunyan Village Road, (iv) Hanbin Village Road and (v) Shangnan Highway Road, including any updates thereto, prepared and submitted by SPTD and cleared by ADB;

(w) “Safeguard Monitoring Report” means each report prepared and submitted by SPTD to ADB that describes progress with implementation of and compliance with the EMP, Resettlement Framework and RPs, including any corrective and preventative actions;

(x) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguard Policy Statement (2009);

(y) “SDAP” means the social development action plan endorsed by SPTD and the Project Implementing Agencies, including any updates thereto, as described in the PAM;

(z) “SPTD” means the Shaanxi Provincial Transportation Department within SPG; and

(aa) “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 two hundred million Dollars (\$200,000,000), 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 subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date 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:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% 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 15 March and 15 September 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 subsection (a) hereinabove 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. The Borrower shall make the proceeds of the Loan available to SPG, and SPG, through their Finance Bureau, make the proceeds of the Loan Available to SPTD and the Project Implementing Agencies upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to SPG 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) SPTD bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto. The Borrower shall cause SPG to ensure that the proceeds of the Loan shall be applied 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 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall, through SPG, cause SPTD to 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, through SPG, cause SPTD to perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, 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 enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents related to the Project.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable SPG, through SPDT, 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 90 days after the date of this Loan Agreement is specified for the effectiveness of this 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
San Li He., Xicheng District
Beijing 100820
People's Republic of China

Facsimile Number:

+8610 6855 2061

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2426.

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 
HE XIANGQI
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
AYUMI KONISHI
Director General
East Asia Department

SCHEDULE 1

Description of the Project

1. The objective of the Project is to provide a safer and improved trunk and rural road network in southeast Shaanxi Province.
2. The Project shall comprise the following outputs:
 - Output 1. Trunk roads upgraded: upgrading of three trunk roads (approximately 187 km) in the cities of Ankang and Shangluo in the Qinba Mountains area from Class III/VI to Class II/III standard pursuant to PRC road classification system, incorporating major safety design enhancements;
 - Output 2. Rural roads upgraded: upgrading of approximately eight rural roads (approximately 140 km) in poor agricultural areas in the cities of Ankang and Shangluo from earthen roads to paved Class IV standards, including improved safety design enhancements;
 - Output 3. Crash reduction program: provision of road safety only investments on 25 additional rural roads (approximately 570 km); and
 - Output 4. Institutional development:
 - (a) strengthening of capacity of the road safety unit in SPTD and local traffic bureaus in road safety management, road safety implementation, enforcement, use of road safety equipment, software and training and public awareness building; and
 - (b) provision of a road safety education and community awareness campaign.
3. The Project is expected to be completed by 31 December 2019.

SCHEDULE 2**Amortization Schedule****(Shaanxi Mountain Road Safety Demonstration Project)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
15 March 2021	0.827816
15 September 2021	0.869207
15 March 2022	0.912667
15 September 2022	0.958301
15 March 2023	1.006216
15 September 2023	1.056526
15 March 2024	1.109353
15 September 2024	1.164820
15 March 2025	1.223061
15 September 2025	1.284214
15 March 2026	1.348425
15 September 2026	1.415846
15 March 2027	1.486639
15 September 2027	1.560971
15 March 2028	1.639019
15 September 2028	1.720970
15 March 2029	1.807019
15 September 2029	1.897369
15 March 2030	1.992238
15 September 2030	2.091850
15 March 2031	2.196442
15 September 2031	2.306264
15 March 2032	2.421578
15 September 2032	2.542657
15 March 2033	2.669789
15 September 2033	2.803279
15 March 2034	2.943443
15 September 2034	3.090615

15 March 2035	3.245146
15 September 2035	3.407403
15 March 2036	3.577773
15 September 2036	3.756662
15 March 2037	3.944495
15 September 2037	4.141720
15 March 2038	4.348806
15 September 2038	4.566246
15 March 2039	4.794558
15 September 2039	5.034286
15 March 2040	5.286000
15 September 2040	5.550311
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.

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" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category 4 is for financing interest and commitment charges 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 charges.

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, in consultation with 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 the Loan Disbursement Handbook.

Imprest Account and Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause Shaanxi Provincial Department of Finance (SPDOF) to establish after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated by SPDOF in accordance with the Loan Disbursement Handbook and detailed arrangement 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.

(b) The statement of expenditures procedures may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the 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 Works and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Shaanxi Mountain Road Safety Demonstration Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	182,776,195		
1A	Trunk Roads Upgrading		132,495,147	57.7% of total expenditure claimed
1B	Provincial Trunk Road Rehabilitation (S224)		10,000,000	100% of total expenditure claimed
1C	Rural Roads Upgraded		27,766,647	85% of total expenditure
1D	Crash Reduction Program		12,514,401	100% of total expenditure
2	Goods	2,706,000		
2A	Tunnel Equipment Supply and Installation		2,706,000	57.7% of total expenditure claimed
3	Consulting Services and Training	2,152,213		100% of total expenditure claimed
4	Interest and Commitment Charges	12,365,592		100% of total expenditure claimed
	Total	200,000,000		

SCHEDULE 4

Procurement of Goods, 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 in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

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.

Conditions for Award of Contract

7. The Borrower shall, through SPG, cause SPTD not to award any Works contract which involves environmental impacts until:
 - (a) the Ankang Municipal Environmental Protection Department and Shangluo Municipal Environmental Protection Department have granted the final approval of the EIA;

- (b) the SPTD has caused the relevant provisions to be incorporated from the EMP into the Works contract; and
- (c) the SPTD has (i) updated the EMP based on the Project's final detailed design, including any updates thereto; and (ii) submitted such updated EMP to ADB for concurrence.

8. The Borrower shall, through SPG, cause SPTD not to award any Works contract which involves involuntary resettlement impacts until SPTD has (i) updated the relevant RPs based on the final detailed design, including detailed measurement surveys; and (ii) submitted such updated RPs to ADB for concurrence.

Consulting Services

9. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall, through SPG, cause SPTD to apply quality- and cost-based selection for selecting and engaging Consulting Services.

10. The Borrower, through SPG, shall cause SPTD to apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: (i) Single Source Selection for road safety design and audit services, road safety capacity building and walk-wise pilot and (ii) Consultants Qualification Selection for road safety capacity building.

11. The Borrower, through SPG, shall cause SPTD to recruit individual consultants, if any, in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

12. (a) The Borrower, through SPG, shall cause SPTD to 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, through SPG, shall cause SPTD to 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.

13. The Borrower, through SPG, shall cause SPTD to 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

14. Contracts procured under international competitive bidding procedures and the first set of contracts procured under national competitive bidding procedures and contracts for Consulting Services for project management and monitoring-resettlement 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; Implementation and Financial Matters**Implementation Arrangements

1. The Borrower, through SPG, shall cause SPTD to ensure 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 SPG, SPTD and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Counterpart Funding

2. The Borrower shall cause SPG, to provide counterpart funds necessary for the Project in a timely manner, including any additional counterpart funds, as and when required, to meet any Project shortfall or cost overruns during implementation. The Borrower shall also cause SPG, to maintain adequate funding for the operation and maintenance of all Project facilities.