
LOAN NUMBER 3054-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Anhui Huainan Urban Water Systems Integrated Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 17 DECEMBER 2013

PRC 46078

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 17 December 2013 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 shall be carried out by Huainan Municipal Government ("HMG"), and for this purpose the Borrower shall, through Anhui Provincial Government ("APG"), make available to HMG the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB on the one part and APG and HMG on 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 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 this Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in this 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.

- (b) 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 shall 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:

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 shall 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 shall 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;

(c) “CPP” means the Consultation and Participation Plan for the Project, including any update thereto;

(d) “Environmental Impact Assessment” or “EIA” means the environmental impact assessment for the Project, including any update thereto, prepared and submitted by HMG and cleared by ADB;

(e) “Environmental Management Plan” or “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the EIA;

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

(g) “GAP” means the Gender Action Plan for the Project, including any update thereto, prepared by HMG and cleared by ADB;

(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) “HMLMB” means Huainan Municipal Landscaping Management Bureau;

- Bureau;
- (j) “HMAMB” means Huainan Municipal Administration Management Bureau;
- (k) “HMSC” means Huainan Municipal Sewage Company;
- Committee;
- (l) “HMURCC” means Huainan Municipal Urban and Rural Construction Committee;
- (m) “IA” or “Implementing Agency” means HMLMB, HMAMB and HMSC (all managed by HMURCC), or any successor thereto acceptable to ADB, and “IA” means any one of them;
- (n) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (o) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (p) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);
- (q) “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;
- (r) “PAM” means the project administration manual for the Project dated 6 September 2013 and agreed between APG, HMG and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (s) “PMO” means the project management office established by HMG for the purposes of the Project;
- (t) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);
- (u) “Procurement Plan” means the procurement plan for the Project dated 6 September 2013 and agreed between APG, HMG and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (v) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations, means HMG or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (w) “Project facilities” means the equipment to be provided and the facilities to be constructed, upgraded and/or rehabilitated under the Project;

(x) “Resettlement Plan” or “RP” means the resettlement plan for the Project, including any update thereto, prepared and submitted by the HMG and cleared by ADB;

(y) “Safeguard Policy Statement” or “SPS” means ADB's Safeguard Policy Statement (2009);

(z) “Safeguards Monitoring Report” means each report prepared and submitted by HMG to ADB that describes progress with implementation of and compliance with the EMP and the RP (as applicable), including any corrective and preventative actions;

(aa) “SAP” means the Social Action Plan for the Project including any update thereto; and

(bb) “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 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 0.20% 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 April 15 and October 15 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, through APG, to HMG upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms on which the proceeds of the Loan shall be made available to HMG include (i) commitment charge and interest at the rate identical to those applied to the Loan; (ii) the identical principal repayment period and grace period as that of the Loan; and (iii) HMG bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall, through APG, cause HMG 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 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 31 March 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 APG cause HMG 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 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, and on terms and conditions acceptable to ADB, 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, through APG, cause HMG, upon reasonable request by ADB, to enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents relating to the Project.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable APG and HMG to perform their 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
Sanlihe, Xicheng District
Beijing 100820
People's Republic of China

Facsimile Number:

+8610 6855 1125.

For ADB

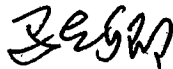
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:


+63 2 636-2444
+63 2 636-2407.

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 
KEQING MA
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 improved management of surface water resources in Huainan municipality.
2. The Project shall comprise the following four components:

Component 1: Improvement of wastewater collection. Combined sewer systems carrying wastewater and storm water will be converted to sanitary sewer systems in areas where combined sewer systems currently exist, and sanitary sewer systems will be installed in newly developed areas. The sanitary sewer systems will separate wastewater and storm water and transfer the collected wastewater directly to existing eastern and western wastewater treatment plants. Buildings and communities currently being served by combined sewer systems will be disconnected from combined sewers and reconnected to newly installed sanitary sewers. New intercepting sewers will also be installed along open sections of urban water channels where possible. In total (i) approximately 122 km and 70 km of new sewers and supporting structures, including sanitary sewers, intercepting sewers, and pipes connecting communities to the sanitary sewers, will be installed in Huainan's eastern and western areas, respectively; (ii) approximately 10 intercepting wells will be constructed in 6 urban water channels; and (iii) one wastewater pump station will be constructed in the eastern area and 2 wastewater pump stations will be constructed in the western areas.

Component 2: Improvement of urban water channels and flood management. Approximately 45 km of urban water channels will be constructed or reconstructed to improve the urban water environment and to improve urban flood control to meet 1/20 year-level storm water. Approximately 10 maintenance stations will be constructed along the channels. To protect the project area from 1/20 year-level storm water, the flood control capacities of 3 existing pump stations will be increased, and 4 new pump stations will be constructed. To protect the Gaotang Lake area from 1/50 year-level flood, an approximately 14.5 km embankment will be constructed. To improve urban flood management in Huainan municipality, (i) rainfall and water level gauges, flood information systems, and flood warning equipment will be procured to establish an urban flood forecasting and warning system, and (ii) an urban flood and waterlogging management master plan will be prepared. A water sampling and monitoring program and an urban water channel maintenance program will be established. Pilot community environment supervision and flood management teams will be set up in eight communities to (i) raise the environmental awareness of community residents so as to eliminate improper disposal of waste into urban water channels, and (ii) make community residents aware of the flood warning system.

Component 3: Improvement of urban lakes. Artificial wetlands will be constructed at major discharge points into 5 lakes. Revetments will be constructed for 2 lakes and the Dajiangou Wetlands to prevent soil erosion and to capture non-point-source pollution. At Gaotang Lake, a pilot revegetation scheme will reduce soil erosion, enhance biodiversity, and provide educational resources. Consultants will also prepare integrated lake management plans for the lakes and wetland to ensure that the natural and biodiversity values of the lakes are safeguarded.

Component 4: Project management and capacity development. The project management office (PMO) and the IAs, with the support of Consulting Services where appropriate, will (i) monitor and evaluate project impact, outcome; (ii) report to ADB on project progress and key findings of monitoring; and (iii) submit a project completion report within 6 months after project physical completion.

3. The Project is expected to be completed by 30 September 2019.

SCHEDULE 2

Amortization Schedule

(Anhui Huainan Urban Water Systems Integrated Rehabilitation 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.

Date Payment Due	Installment Share (Expressed as a % based on 10% annuity)
15 April 2019	0.827816
15 October 2019	0.869207
15 April 2020	0.912667
15 October 2020	0.958301
15 April 2021	1.006216
15 October 2021	1.056526
15 April 2022	1.109353
15 October 2022	1.164820
15 April 2023	1.223061
15 October 2023	1.284214
15 April 2024	1.348425
15 October 2024	1.415846
15 April 2025	1.486639
15 October 2025	1.560971
15 April 2026	1.639019
15 October 2026	1.720970
15 April 2027	1.807019
15 October 2027	1.897369
15 April 2028	1.992238
15 October 2028	2.091850
15 April 2029	2.196442
15 October 2029	2.306264
15 April 2030	2.421578
15 October 2030	2.542657
15 April 2031	2.669789
15 October 2031	2.803279
15 April 2032	2.943443
15 October 2032	3.090615
15 April 2033	3.245146

15 October 2033	3.407403
15 April 2034	3.577773
15 October 2034	3.756662
15 April 2035	3.944495
15 October 2035	4.141720
15 April 2036	4.348806
15 October 2036	4.566246
15 April 2037	4.794558
15 October 2037	5.034286
15 April 2038	5.286000
15 October 2038	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 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.

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 Charge

3. The amount allocated to Category 5 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, 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 APG acting through Anhui Provincial Finance Department to establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated by APG acting through Anhui Provincial Finance Department 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 maximum ceiling for the imprest account shall not exceed the equivalent of 10% of the Loan amount unless otherwise agreed between APG and ADB.

(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 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 subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Anhui Huainan Urban Water Systems Integrated Rehabilitation Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	119,203,000		
1A	Improvement of Wastewater Collection		36,078,000	63% of total expenditure claimed
1B	Improvement of Urban Water Channels and Flood Management		75,913,000	63% of total expenditure claimed
1C	Improvement of Urban Lakes		7,212,000	63% of total expenditure claimed
2	Equipment*	21,930,000		
2A	Improvement of Wastewater Collection		1,792,000	100% of total expenditure claimed
2B	Improvement of Urban Water Channels and Flood Management		19,804,000	100% of total expenditure claimed
2C	Improvement of Urban Lakes		234,000	100% of total expenditure claimed
2D	Project Management		100,000	100% of total expenditure claimed
3	Consultants	1,540,000		
3A	Sustainable Urban Water and Lake Management		500,000	100% of total expenditure claimed
3B	Project Management Support		900,000	100% of total expenditure claimed
3C	External Resettlement Monitoring and Evaluation		140,000	100% of total expenditure claimed
4	Training, Study Tours, Conferences and Workshops	600,000		100% of total expenditure claimed
5	Interest and Commitment Charge	6,727,000		100% of total amount due
	Total	150,000,000		

* Including insurance and transportation costs

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 APG, cause HMG not to award any Works contracts until HMG has incorporated the relevant provisions from the EMP into the works contract.
8. The Borrower shall, through APG, cause HMG not to award any Works contract which involves involuntary resettlement impacts, until it has prepared and submitted

to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Consulting Services

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

10. The Borrower shall through APG cause HMG 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: Consultants' Qualifications Selection for external resettlement monitoring and evaluation.

11. The Borrower shall through APG cause HMG to recruit individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

12. (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.

13. 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

14. Contracts procured under international competitive bidding procedures, the first contract for civil Works and the first contract for Goods procured under national 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; Financial Matters**Implementation Arrangements

1. The Borrower shall, through APG, cause HMG 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 APG, HMG and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Counterpart Funds

2. The Borrower shall, through APG, cause HMG to ensure that counterpart funds and domestic commercial loan proceeds are provided in a timely manner, including any additional counterpart funds, as and when required, to meet any Project shortfall or cost overruns. In the event that the domestic commercial loan is not available for any reason whatsoever, the Borrower shall, through APG, cause HMG to maintain adequate annual funding for the operation and maintenance of the Project facilities.