
LOAN NUMBER 3277-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Hubei Enshi Qing River Upstream Environment Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 3 NOVEMBER 2015

PRC 47048

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 3 November 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 the Enshi Tujia and Miao Autonomous Prefectural Government ("ETMAPG"), and for this purpose the Borrower will make available, through the Hubei Provincial Government ("HPG"), to ETMAPG 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, of the one part, and HPG and ETMAPG 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 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.

- (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 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:

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 Outputs 3 and 4 in paragraph 2 of Schedule 1 to this Loan Agreement;

(c) “EMDP” means the ethnic minority development plan for the Project, including any updates thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;

(d) “Environmental Impact Assessment” or “EIA” means the environmental impact assessment plan for the Project, including any updates thereto, prepared and submitted by the Project Executing Agency 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 updates thereto, prepared and submitted by the Project Executing Agency 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) “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 3 July 2015 and agreed between HPG and the Project Executing Agency and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(o) “PIU” means a project implementing unit established in each of Enshi City and Lichuan City to carry out day-to-day project management and implementation of certain aspects of the Project, as described in the PAM;

(p) “PMO” means the Project management office, established within the ETMAPG for the implementation of certain aspects of the Project, as described in the PAM;

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

(r) “Procurement Plan” means the procurement plan for the Project dated 3 July 2015 and agreed between HPG and Project Executing Agency and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

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

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

(u) “Project Implementing Agencies” means the Enshi Urban Construction and Investment Co. Ltd, responsible for the implementation of all infrastructure components of the Project in Enshi City and Lichuan Liangli Urban Construction & Development Co. Ltd., responsible for the implementation of all infrastructure components of the Project in Lichuan City (each a “Project Implementing Agency”) or any alternatives or successors thereto acceptable to ADB;

(v) “Resettlement Plans” or “RPs” means the resettlement plans prepared for the Project, including any updates thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;

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

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

(y) “SAP” means the social action plan, including any updates thereto, to facilitate continued consultation and participation of communities in the Project, as described in the PAM;

(z) “WWTP” means a wastewater treatment plant; 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 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 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 0.10% 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 March and 1 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, through HPG and ETMAPG, to Enshi City Government and Lichuan City Government upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available 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) Enshi City Government and Lichuan City Government bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

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 January 2021 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 HPG, cause ETMAPG 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 HPG, cause ETMAPG to 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, 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.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable HPG and ETMAPG 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

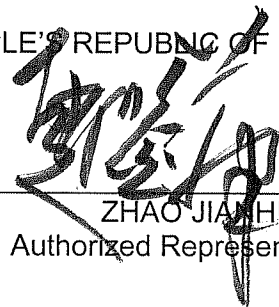
Facsimile Numbers:

(632) 636-2444
(632) 636-2534.

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

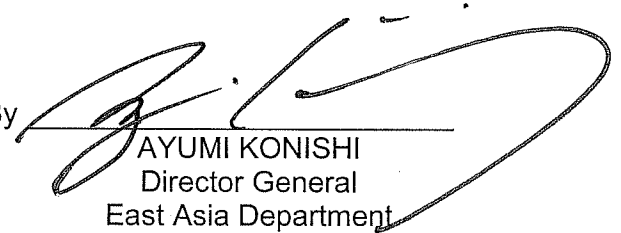


ZHAO JIANHUA

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 improve river health and flood management in the upper Qing River basin.

2. The Project shall comprise the following outputs:

Output 1: Wastewater management improved

- (a) improvement of wastewater collection systems consisting of (i) installation of interceptors and new branch sewer pipes in Enshi City and (ii) the installation of interceptors and new branch sewer pipes and construction of a new lifting pump station and reconstruction of two existing pump stations in Lichuan City; and
- (b) expansion of two existing WWTPs and construction of a new WWTP comprised of (i) expansion of an existing WWTP and construction of a new WWTP, including sludge advanced treatment and disposal in Enshi City, and (ii) expansion of an existing WWTP, with sludge advanced treatment capacity and upgrading of an existing wastewater treatment facility to improve effluent standards from Class 1B to 1A in Lichuan City.

Output 2: Flood management enhanced

- (a) construction of river embankment with riverside amenities in selected urban sites in Enshi City and in Lichuan City;
- (b) dredging of silted sections of Qing River and tributaries to increase the capacity for carrying flood water in Enshi City and Lichuan City; and
- (c) construction of water source protection zones and ecological buffer zones including wetlands and amenity facilities in Enshi City and Lichuan City.

Output 3: Water and environmental management integrated

- (a) a pilot participatory program in Enshi City to reduce non-point source pollution;
- (b) river bank maintenance program including community environmental supervision and flood management, and public education and awareness raising initiative;
- (c) improvement of sewerage infrastructure management by establishing a sewerage infrastructure geographic information system and asset management system, incorporating energy and greenhouse gases reduction measures; and

(d) a flood forecasting and warning system.

Output 4: Project management and inclusive capacity development strengthened

Capacity development, equipment and support for: monitoring, evaluation and reporting of the Project; operation and maintenance of the Works; and external resettlement and social monitoring.

3. The Project is expected to be completed by 31 July 2020.

SCHEDULE 2**Amortization Schedule****(Hubei Enshi Qing River Upstream Environment 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 ¹ (Expressed as a %)
1 March 2021	2.500000
1 September 2021	2.500000
1 March 2022	2.500000
1 September 2022	2.500000
1 March 2023	2.500000
1 September 2023	2.500000
1 March 2024	2.500000
1 September 2024	2.500000
1 March 2025	2.500000
1 September 2025	2.500000
1 March 2026	2.500000
1 September 2026	2.500000
1 March 2027	2.500000
1 September 2027	2.500000
1 March 2028	2.500000
1 September 2028	2.500000
1 March 2029	2.500000
1 September 2029	2.500000
1 March 2030	2.500000
1 September 2030	2.500000
1 March 2031	2.500000
1 September 2031	2.500000
1 March 2032	2.500000
1 September 2032	2.500000
1 March 2033	2.500000
1 September 2033	2.500000
1 March 2034	2.500000
1 September 2034	2.500000
1 March 2035	2.500000
1 September 2035	2.500000

1 March 2036	2.500000
1 September 2036	2.500000
1 March 2037	2.500000
1 September 2037	2.500000
1 March 2038	2.500000
1 September 2038	2.500000
1 March 2039	2.500000
1 September 2039	2.500000
1 March 2040	2.500000
1 September 2040	2.500000
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.

Reallocation

3. 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

4. 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

5. (a) Except as ADB may otherwise agree, the Borrower shall cause Hubei Provincial Finance Department (HPFD) 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 HPFD 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

6. 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 Goods, Works, Consulting Services and training, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Hubei Enshi Qing River Upstream Environment Rehabilitation Project)			
Number	Category* Item	Total Amount Allocated for ADB Financing (\$)	Percentage and Basis for Withdrawal from the Loan Account*
1	Works	74,446,290	51% of total expenditure claimed
2	Goods**	23,043,710	100% of total expenditure claimed
3	Consulting Services	2,110,000	100% of total expenditure claimed
4	Training	400,000	100% of total expenditure claimed
	Total	100,000,000	

* Includes taxes and duties.

**Includes 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 HPG, cause the Project Executing Agency and the Project Implementation Agencies not to award any Works contracts:
 - (a) which involves environmental impacts until (i) ETMAP Environmental Protection Bureau has granted the final approval of the EIA; and (ii) the Project Executing Agency and the Project Implementation Agencies have incorporated the relevant provisions from the EMP into the Works contract;

- (b) which involves involuntary resettlement impacts, until the Project Executing Agency has prepared and submitted to ADB the final RPs based on the project's detailed design, and obtained ADB's clearance of such RPs; and
- (c) which involves impacts on indigenous peoples until the Project Executing Agency has prepared and submitted to ADB the EMDP and obtained ADB's clearance of such EMDP.

Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall, through HPG, cause the Project Executing Agency and Project Implementing Agencies to apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Borrower shall, through HPG, cause the Project Executing Agency and Project Implementing Agencies to apply the following method 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 and social monitoring.

10. The Borrower shall, through HPG, cause the Project Executing Agency and Project Implementing Agencies to recruit individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (a) The Borrower, through HPG, shall cause the Project Executing Agency 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 HPG, shall cause the Project Executing Agency 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.

12. The Borrower, through HPG, 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

13. Contracts procured under international competitive bidding procedures, first contract for Goods and first contract for Works procured by each Project Implementing Agency under national competitive bidding, and all 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; Implementation and Financial Matters**Implementation Arrangements

1. The Borrower, through HPG, shall cause the Project Executing Agency 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 HPG, Project Executing Agency and ADB. 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, through HPG, cause the Project Executing Agency to ensure that Enshi City Government and Lichuan City Government provide the necessary counterpart funds 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 Project implementation and cover the operations and maintenance of all Project facilities.