

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7910-CN

Loan Agreement

(Sustainable Development in Poor Rural Areas Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 25, 2010

LOAN AGREEMENT

AGREEMENT dated August 25, 2010, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to 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 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project"), with the exception of Part D of the Project which will be financed by the Co-financing.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are March 15 and September 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (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, withdrawn 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 Variable Rate to a Fixed Rate, or vice versa; and
 - (iii) the setting of limits on the Variable 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 the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project Implementing Entities (Chongqing Municipality, Henan Province, and Shaanxi Province) to carry out their Respective Parts of the Project in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall

ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the Minister of Finance.
- 5.02. The Borrower's Address is:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Facsimile:

(86-10) 68 55 11 25

- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zheng Xiaosong
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to explore and pilot more effective and innovative ways of providing poverty reduction assistance to the poorest communities and households in Henan Province, Shaanxi Province and Chongqing Municipality (the Project Provinces) through community-driven development and participatory approach; and (b) to pilot sustainable land management and adaption measures to address vulnerability to climate change in poor rural areas in the Project Provinces.

The Project consists of the following parts:

Part A: Community-Driven Development

1. Development of basic rural infrastructure in poor villages through the provision of investment support and related technical assistance for the construction and improvement of, inter alia, village access roads, drinking water supply systems, rural sanitation infrastructure, electrification, communication infrastructure, school building construction and repair, small-scale agriculture production infrastructure, and basic housing repair.

Part B: Community Development Financing and Capacity Building for CDD and CDF

1. Provision of Community Development Financing to Community Cooperatives to finance CDF Sub-grants and/or CDF Sub-loans in support of household-level productive activities, including improved and diversified crop production, animal husbandry, and other income generating activities.
2. Provision of technical assistance and capacity building support at the village level to support the CDD and CDF activities under Parts A.1 and B.1 of the Project, including:
 - (a) information dissemination, mobilization of villagers, formulation of community annual investment plans and village medium-term development plans; and preparation, technical evaluation, implementation and inspection of the above-mentioned CDD activities; and
 - (b) the development, implementation, management and supervision of productive activities, including farmer training in technical and vocational skills, infrastructure operation and management, and skills training for women; support for extension services in the areas of access

to market information, and awareness campaigns about off-farm labor opportunities for farmers.

Part C: Rural Migrants Support

1. Carrying out activities to improve the condition of rural migrant workers in urban areas in Chongqing, including construction/improving migrant worker dormitories and migrant workers service centers, provision of vocational training and job placement assistance; establishing migrant community service centers to provide social services.
2. Provision of MLMS Financing to MLMAs to finance MLMS Sub-grants and/or MLMS Sub-loans in support of migrant workers and migrant workers' micro-enterprises.
3. Strengthening the monitoring and evaluation system relating to the welfare of migrant workers; carrying out research to examine the relationship between migration and poverty alleviation; and conducting training and study tours to strengthen the capacity of the Chongqing municipal government in administering migrant workers' affairs.

Part D: Sustainable Land Management and Adaptation

1. Designing and implementing sustainable land management and adaptation pilot activities based on community participation through promoting adaptation measures in small infrastructure and agricultural improvement projects; and providing technical assistance to communities and township technical staff in the design, implementation, and monitoring of the above-mentioned pilot activities.
2. Disseminating the experience of implementation of the pilot activities referred to in D.1 above and promoting the integration of such interventions in the CDD activities under Part A of the Project.
3. Supporting policy studies analyzing the linkages between poverty, vulnerability to climate change, and adaptation; and conducting consultation workshops to facilitate experience exchanges among agencies with responsibilities in land and water resources management, agriculture, forestry, and other aspects of climate change adaptation.

Part E: Project Management, Monitoring and Evaluation

1. Strengthening the capacity of the Project implementing agencies at all levels in Project management, monitoring, and evaluation through the provision of office furniture and equipment, vehicles (where applicable), related technical assistance, workshops, and international training and study tours.

2. Designing and implementing a comprehensive Project management information system, including reporting progress, financial management and impact monitoring and evaluation, and domestic training (including workshops) and study tours.

SCHEDULE 2

Project Execution

Section I. Financing and Institutional

A. Financing Arrangements

The Borrower shall make available to the Project Implementing Entities the proceeds of the Loan allocated from time to time to the Categories for each such Entity as set forth the table in Section IV of this Schedule on the following principal terms:

- (i) The principal amount shall be made available in Dollars.
- (ii) The following shall be recovered over a period of thirty (30) years inclusive of a grace period of five (5) years:
 - (a) the principal amount so made available; and
 - (b) an amount equal to the fee paid pursuant to Section 2.03 of this Agreement.
- (iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.04 of this Agreement.

B. Institutional Arrangements

The Borrower shall maintain throughout the period of implementation of the Project the Central Project Coordination Office (CPCO) with powers, functions, staff and resources, satisfactory to the Bank for, inter alia, overseeing the implementation of the Project, coordinating among the project implementing agencies at the local levels for the efficient and timely implementation of the Project, and carrying out Part D.3 of the Project.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower, through the CPCO, shall monitor and evaluate the progress of the Project and cause the Project Implementing Entities to prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in Annex 1 to the Schedule to the Project Agreement. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than three (3) months after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the CPCO, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provision of Part A of this Section, the Borrower, through the CPCO, shall cause the Project Implementing Entities to prepare and furnish to the Bank as part of the Progress Report not later than ninety (90) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consultant Services.** All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
- B. Particular Methods of Procurement of Goods, Works and Non-Consultants Services**
1. **International Competitive Bidding (ICB).** Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).
 2. **Other Methods of Procurement of Goods, Works and Non-consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	<p>National Competitive Bidding.</p> <p>The procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No. 21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Procurement Guidelines:</p> <ol style="list-style-type: none">(i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except for civil works contracts that are estimated cost less than \$2,000,000 equivalent each and for goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

- (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.
- (iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- (iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or the Project Implementing Entity, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (vi) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- (viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or the Project Implementing Entity, as the case may be.
- (ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
- (x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to

	<p>the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.</p> <p>(xi) Government owned enterprises in the Borrower's country may be permitted to bid or submit a proposal of goods and works if they can establish that they: (i) are legally and financially autonomous; (ii) operate under commercial law; and (iii) are not a dependent agency of the agency conducting the procurement.</p> <p>(xii) Re-bidding should not be allowed solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the Bank's prior written concurrence.</p> <p>(xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press (as provided under sub-paragraph (i) above) or official gazette or a free and open access website and shall identify the name and offered price of the winning bidder, as well as the duration and summary scope of the awarded contract.</p> <p>(xiv) Project Implementing Entities shall have in place provisions for bidders to protest.</p>
(b)	Shopping
(c)	Community Participation in Procurement
(d)	Direct Contracting
(e)	Commercial Practices

C. Particular Methods of Procurement of Consultants' Services

- Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$300,000 equivalent per contract may comprise entirely national consultants.
- Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based

Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods
(a) Quality-based Selection
(b) Selection based on Consultants' Qualifications
(c) Single-source Selection
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e) Sole-source Selection

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods and non-consultant services estimated to cost the equivalent of \$300,000 or more; (b) each contract for works estimated to cost the equivalent of \$1,000,000 or more; (c) all contracts for goods, works and non-consultant services to be procured based on Direct Contracting method, regardless of contract value thereof; (d) each contract for consultants' services estimated to cost the equivalent of US\$100,000 or more for firms, and \$50,000 or more for individuals; and (e) each contract proposed to be awarded under Single-source Selection and Sole-source Selection procedures. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. (a) The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of

the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
<p>(1) Chongqing</p> <p>(a) CDD Grants under Part A.1 of the Project</p> <p>(b) CDFs and goods, consultant services and non-consultant services and Incremental Operating Costs under Part B.2 of the Project</p> <p>(c) MLMSFs, goods (except vehicles), works, consultant services, and Incremental Operating Costs under Parts C.1 and C.3 of the Project</p> <p>(d) (i) International Training, goods (except vehicles), and consultant services under Part E.1 of the Project</p> <p>(ii) Domestic Training, goods (except vehicles), works, consultant services and non-consultant services, and Incremental Operating Costs under Part E.2 of the Project.</p>	<p>11,160,000</p> <p>4,040,000</p> <p>7,870,000</p> <p>370,000</p> <p>500,000</p>	<p>55%</p> <p>88%</p> <p>76%</p> <p>100%</p> <p>94%</p>
<p>(2) Henan</p> <p>(a) CDD Grants under Part A.1 of the Project</p> <p>(b) CDFs and goods, consultant services and non-consultant services and Incremental Operating costs under Part B.2 of the Project</p>	<p>23,940,000</p> <p>10,240,000</p>	<p>68%</p> <p>68%</p>

(c) (i) International Training, goods, and consultant services under Part E.1 of the Project	960,000	100%
(ii) Domestic Training, goods (except vehicles), works, consultant services and non-consultant services, and Incremental Operating Costs under Part E.2 of the Project	770,000	16%
3. Shaanxi		
(a) CDD Grants under Part A.1 of the Project	21,870,000	53%
(b) CDFs and goods, consultant services and non-consultant services and Incremental Operating Costs under Part B.2 of the Project	16,030,000	100%
(c) (i) International Training, goods (except vehicles), and consultant services under Part E.1 of the Project	1,080,000	100%
(ii) Domestic Training, goods (except vehicles), works, consultant services and non-consultant services, and Incremental Operating Costs under Part E.2 of the Project	920,000	31%
4. Front-end Fee	250,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
5. Premium for Interest Rate Cap on Interest Collar	0	Amount payable pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions
TOTAL	100,000,000	

- (b) For the purpose of this Schedule:
- (i) the term “Incremental Operating Costs” means the reasonable costs incurred by the Borrower’s implementing agencies at the provincial, county and village levels, on account of Project management, monitoring and evaluation, which expenditures would not have been incurred absent the Project, including costs incurred for office supplies and consumables, repairs of equipment and vehicles, transportation costs and per diem for staff travel, rental of office space, fuel costs, communication costs, and bank charges, but excluding the salaries and salary supplements of the Borrower’s civil servants.
 - (ii) the term “International Training” means the reasonable cost of travel, lodging and per diem for trainees attending training, study tours and seminars abroad.
 - (iii) the term “Domestic Training” means the reasonable cost of travel, lodging and per diem for trainees attending training, study tours, workshops and seminars abroad and cost of delivering training and workshops such as rental of training space and training equipment and other logistic costs.

B. Withdrawal Conditions, Procedures and Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$10,000,000 equivalent may be made for payments made within twelve months prior to the date of this Agreement, but on or after May 27, 2009, for Eligible Expenditures;
 - (b) for payments made for CDFs under Categories 1(b), 2(b), and 3(b) unless the Bank shall have approved the CDF Manual; and
 - (c) for payments made for MLMSFs under Category 1(c) unless the Bank shall have approved the MLMSF Manual.
2. The Closing Date is December 31, 2015.

SCHEDULE 3

Amortization Schedule

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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each March 15 and September 15 Beginning September 15, 2015 through March 15, 2040	2%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn 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 the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn 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.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “CDD” means community-driven development.
3. “CDD Grant” means a community-driven development grant made by a Project Implementing Entity to a CDD Beneficiary out of the proceeds of the Loan for the financing and carrying out of a CDD Sub-project under Part A.1 of the Project pursuant to the provisions of the Project Agreement, the CDD Manual and the Financial Management Manual; and the term “CDD Grants” means, collectively, all such CDD Grants.
4. “CDD Grant Agreement” means the agreement to be entered into between a County PMO and a CDD Beneficiary for purposes of providing a CDD Grant pursuant to paragraph 11 of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and “CDD Grant Agreements” means, collectively, all of said CDD Grant Agreements.
5. “CDD Beneficiary” means an administrative village of a Project Implementing Entity eligible to carry out a CDD Sub-project pursuant to the CDD Manual; and the term “CDD Beneficiaries” means, collectively, all such CDD Beneficiaries.
6. “CDD Manual” means the manual dated August 21, 2008, setting out, inter alia, the roles and responsibilities of all agencies involved in the implementation of Part A of the Project, accounting and financial management requirements, procurement procedures, community-based governance and monitoring framework and a negative list of the activities not eligible for financing under Part A.1 of the Project, and referred to paragraph 8 of Section I of the Project Agreement; as the same may be amended from time to time with the prior agreement of the Bank.
7. “CDD Sub-projects” means, collectively, the basic rural infrastructure investment activities under Part A.1 of the Project included or to be included in the community annual investment plans, to be prepared and carried out by a CDD Beneficiary and to be financed from the proceeds of CDD Grants in accordance with the provisions of the CDD Manual and the relevant provisions of the Project Agreement; and the term “CDD Sub-project” means any of the CDD Sub-projects.

8. “CDF” or “Community Development Financing” means a community development financing made by a Project Implementing Entity to a Community Cooperative out of the proceeds of the Loan for the financing and carrying out of a CDF Sub-project under Part B.1 of the Project pursuant to the provisions of the CDF Manual, the Project Agreement, and the Financial Management Manual; and the term “Community Development Financing” or “CDFs” means, collectively, all such community development financing.
9. “CDF Beneficiary” means a household or a group of households selected to be eligible to carry out a CDF Sub-project pursuant to the CDF Manual; and the term “CDF Beneficiaries” means, collectively, all such CDF Beneficiaries.
10. “CDF Agreement” means the agreement to be entered into between a County PMO and a Community Cooperative for purposes of providing a CDF to a CDF Beneficiary for carrying out a CDF Sub-project referred to in paragraph 15 of Section I of the Schedule to the Project Agreement; as the same may be amended from time to time with the prior agreement of the Bank; and the term “CDF Agreements” means, collectively, all such CDF Agreements.
11. “CDF Manual” means the manual referred to in paragraph 13 of Section I of the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank.
12. “CDF Sub-grant” means a community development Sub-grant made by a Community Cooperative to a CDF Beneficiary out of the proceeds of the Community Development Financing for the financing and carrying out of a CDG Sub-project under Part B.1 of the Project pursuant to the provisions of the Project Agreement, the CDF Manual and the Financial Management Manual; and the term “CDF Sub-grants” means, collectively, all such CDF Sub-grants.
13. “CDF Sub-grant Agreement” means the agreement to be entered into between a Community Cooperative and a CDF Beneficiary for purposes of providing a CDF Sub-grant pursuant to paragraph 15(j) of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and “CDF Sub-grant Agreements” means, collectively, all of said CDF Sub-grant Agreements.
14. “CDF Sub-loan” means a community development Sub-loan made by a Community Cooperative to a CDF Beneficiary out of the proceeds of the Community Development Financing for the financing and carrying out of a CDF Sub-project under Part B.1 of the Project pursuant to the provisions of the Project Agreement, the CDF Manual and the Financial Management Manual; and the term “CDF Sub-loans” means, collectively, all such CDF Sub-loans.

15. “CDF Sub-loan Agreement” means the agreement to be entered into between a Community Cooperative and a CDF Beneficiary for purposes of providing a CDF Sub-grant pursuant to paragraph 15(j) of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and “CDF Sub-loan Agreements” means, collectively, all of said CDF Sub-loan Agreements.
16. “CDF Sub-project” means a sub-project for productive and income generating activities under Part B.1 of the Project to be prepared and carried out by a CDF Beneficiary under a community-driven development approach and to be financed from the proceeds of a CDF Sub-grant or CDF Sub-loan in accordance with the provisions of the CDF Manual and the relevant provisions of the Project Agreement; and the term “CDF Sub-projects” means, collectively, all such CDF Sub-projects.
17. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
18. “Central Project Coordination Office” and the acronym “CPCO” mean the office established by the Borrower and to be maintained according to the provisions of paragraph B.1 of Section I of Schedule 2 to this Agreement.
19. “Chongqing” means the Borrower’s Chongqing Municipality, and any successor thereto.
20. “Co-financier” means the Global Environment Facility.
21. “Co-financing” means an amount of four million two hundred and sixty five thousand Dollars (\$4,265,000) to be provided by the Co-financier to assist in the financing of Part D of the Project.
22. “Co-financing Agreement” means the agreement to be entered into between the People’s Republic of China and the Bank, acting as an Implementing Agency for the Global Environment Facility, providing for the Co-financing.
23. “Community Cooperative” means the community cooperative established or to be established in accordance with the Borrower’s relevant laws.
24. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
25. “County Project Leading Group” and its abbreviation “CPLG” mean the group referred to in paragraph 1(c) of Section I of the Schedule to the Project Agreement.

26. “County Project Management Office” and its abbreviation “CPMO” mean the office referred to in paragraph 1(c) of Section I of the Schedule to the Project Agreement.
27. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
28. “Environmental and Social Management Framework” and the acronym “ESMF” mean the document dated September 3, 2008 adopted by the Project Implementing Entities, setting forth, inter alia, the assessment of environmental and social impacts of the Project, recommendations for mitigation of adverse impacts and enhancement of positive impacts based on such assessment, and the guidelines for environmental screening and monitoring of Project implementation; as said ESMF may be amended from time to time with the prior agreement of the Bank.
29. “Financial Management Manual” means the Financial Management Manual adopted by the Project Implementing Entities, dated January 21, 2010, which sets out the policies and procedures for establishing and maintaining a financial management system to be implemented by the Project Implementing Entities in the carrying out of the Project, including guidelines on financial management, internal controls, accounting procedures, fund and asset management and withdrawal application procedures, consistent with the provisions set forth in Section II, B of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Bank.
30. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
31. “Henan” means the Borrower’s Province of Henan, and any successor thereto.
32. “Migrant Labor Micro-enterprises Association” or the acronym “MLMA” means the association established or to be established in accordance with the relevant laws of the Borrower.

33. “MLMS Financing” and its acronym “MLMSF” mean a migrant labor micro-enterprise support financing made by Chongqing to a MLMA out of the proceeds of the Loan to be utilized by the MLMA for providing a MLMSF Sub-grant or MLMSF Sub-loans for the financing and carrying out of a MLMSF Sub-project under Part C.2 of the Project pursuant to the provisions of the Project Agreement, the MLMSF Manual and the Financial Management Manual; and the term “MLMS Financing ” means, collectively, all such MLMS Financing.
34. “MLMS Agreement” means the agreement to be entered into between Chongqing and a MLMA for purposes of providing MLMSF Sub-grants and/or MLMSF Sub-loans to MLMSF Beneficiaries for carrying out MLMSF Sub-projects.
35. “MLMSF Beneficiary” means a migrant worker, a migrant worker household, or a micro-enterprise in Chongqing eligible to carry out a MLMSF Sub-project pursuant to the MLMSF Manual; and the term “MLMSF Beneficiaries” means, collectively, all such MLMSF Beneficiaries.
36. “MLMSF Manual” means the manual prepared for the migrant labor micro-enterprise support grant component under Part C.2 of the Project, dated December 28, 2009, and referred to in paragraph 16 of Section I of the Schedule to the Project Agreement, as the same may be revised from time to time with the prior agreement of the Bank.
37. “MLMSF Sub-grant” means a micro-enterprise development sub-grant made by a MLMA to a MLMSF Beneficiary out of the proceeds of a MLMS Financing for the financing and carrying out of a MLMSF Sub-project under Part C.2 of the Project pursuant to the provisions of the Project Agreement, the MLMSF Manual and the Financial Management Manual; and the term “MLMSF Sub-grants” means, collectively, all such MLMSF Sub-grants.
38. “MLMSF Sub-grant Agreement” means the agreement to be entered into between a MLMA and a MLMSF Beneficiary for purposes of providing a MLMSF Sub-grant pursuant to paragraph 18(j) of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and “MLMSF Sub-grant Agreements” means, collectively, all of said MLMSF Sub-grant Agreements.
39. “MLMSF Sub-loan” means a micro-enterprise development sub-loan made by a MLMA to a MLMSF Beneficiary out of the proceeds of a MLMS Financing for the financing and carrying out of a MLMSF Sub-project under Part C.2 of the Project pursuant to the provisions of the Project Agreement, the MLMSF Manual and the Financial Management Manual; and the term “MLMSF Sub-loans” means, collectively, all such MLMSF Sub-loans.

40. “MLMSF Sub-loan Agreement” means the agreement to be entered into between a MLMA and a MLMSF Beneficiary for purposes of providing a MLMSF Sub-loan pursuant to paragraph 18 (j) of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank; and “MLMSF Sub-loan Agreements” means, collectively, all of said MLMSF Sub-loan Agreements.
41. “MLMSF Sub-project” means a sub-project for micro-enterprise development in Chongqing under Part C.2 of the Project to be prepared and carried out by a MLMSG Beneficiary under a community-driven development approach and to be financed from the proceeds of a MLMSF Sub-grant or MLMSF Sub-loan in accordance with the provisions of the MLMSF Manual and the relevant provisions of the Project Agreement; and the term “MLMSF Sub-projects” means, collectively, all such MLMSF Sub-projects.
42. “MoF” means the Borrower’s Ministry of Finance or any successor thereto.
43. “Policy Framework for Resettlement and Land Acquisition” means the policy framework, dated September 4, 2008, adopted by the Project Implementing Entities, which sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans whenever required during the implementation of the Project, as said policy framework may be revised from time to time with the prior agreement of the Bank.
44. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
45. “Procurement Plan” means the Procurement Plan for the Project, adopted by Chongqing, Henan, and Shaanxi dated April 16, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
46. “Project Agreement” means the agreement between the Bank and the Borrower’s Municipality of Chongqing, and the Henan and Shaanxi Provinces and any successors thereto, of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
47. “Project Counties” means the counties selected to participate in the Project.

48. “Project Implementing Entities” means Chongqing Municipality, Henan Province and Shaanxi Province, and any successors thereto, and “Project Implementing Entity” means any of the Project Implementing Entities.
49. “Project Villages” means the administrative and natural villages selected to participate in the Project.
50. “Provincial Project Leading Group” and the acronym “PPLG” mean provincial project leading group established by each Project Implementing Entity and to be maintained according to the provisions of paragraph 1(a) of Section I of the Schedule to the Project Agreement.
51. “Provincial Project Management Office” and the acronym “PPMO” mean the office established by each Project Implementing Entity and to be maintained according to the provisions of paragraph 1(a) of Section I of the Schedule to the Project Agreement.
52. “Respective Parts of the Project” means in respect of: (i) the Borrower, Part D.3 of the Project; (ii) Chongqing, all Parts of the Project to be implemented by Chongqing in its jurisdiction; (iii) Henan, Parts A, B, D, and E of the Project to be implemented by Henan in its jurisdiction; and (iv) Shaanxi, Parts A, B, D and E of the Project to be implemented by Shaanxi in its jurisdiction.
53. “Shaanxi” means the Borrower’s Province of Shaanxi, and any successor thereto.
54. “Township Project Working Stations” means the stations referred to in paragraph 1(d) of Section I of the Schedule to the Project Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

....

(l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive

practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The definition of the term “Conversion Date” in the Appendix is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”