

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7604-CN

Loan Agreement I

(Eco-Farming Project-Anhui, Chongqing, Guangxi and Hubei)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated February 27, 2009

LOAN AGREEMENT

AGREEMENT dated February 27, 2009, 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 ninety six million Dollars (\$96,000,000), 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").
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 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 to be carried out by the Project Implementing Entities in accordance with the provisions of Article V of the General Conditions.
- 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 all conditions precedent to the Effectiveness of Loan Agreement II shall have been fulfilled, other than those related to the effectiveness of this Agreement.
- 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/ David Dollar
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to deliver direct environmental and economic benefits from the integration of biogas in farming and cooking for the Beneficiary Households in selected rural areas in China; and (b) to reduce greenhouse gas emissions through methane combustion and reduced burning of coal and firewood in the selected areas.

The Project consists of the following parts:

Part A: Integrated Eco-Farming Systems

1. Carrying out a program to assist Beneficiary Households in integrating biogas infrastructure into their farm production systems in order to improve the environmental impact, quality and efficiency of farm production, and improving their living conditions and consisting of:
 - (a) construction and installation of biogas systems, and construction or rehabilitation of biogas-related household facilities, including animal sheds, toilets and kitchens in Beneficiary Households; and
 - (b) carrying out improvements to Beneficiary Households' farm infrastructure and farm production systems related to use of biogas residues.
2. Carrying out community development activities in the Project Area in Anhui, Chongqing and Guangxi including construction of water supply facilities and village roads.

Part B: Local Technical Extension and Biogas Service System

1. Strengthening and expanding the existing rural energy and related agricultural extension services in the Project Area in order to improve the technical support systems for sustainable operation and maintenance of biogas systems through, inter alia: (i) upgrading of extension and training facilities; (ii) refurbishment of biogas service system facilities, including provision of equipment and materials; (iii) training of provincial, prefecture, and county Rural Energy and Agricultural Extension Office staff; (iv) training of county, township, and farmer technicians, and farmer beneficiaries; (v) providing support to biogas and related farmer associations; and (vi) carrying out applied research to address issues in biogas development.

Part C: Project Management, Monitoring and Evaluation

1. Carrying out of a program to strengthen the capacity of the Project Implementing Entities in the implementation and monitoring of the progress of the Project and impact of the various activities under the Project.

SCHEDULE 2**Project Execution****Section I. Financing and Institutional****A. Financing Arrangements**

1. The Borrower shall make available to the following 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, in the following principal amounts: (a) to Anhui an amount not to exceed in the aggregate \$25,000,000; (b) to Chongqing an amount not to exceed in the aggregate \$23,000,000; (c) to Guangxi an amount not to exceed in the aggregate \$28,000,000; and (d) to Hubei an amount not to exceed in the aggregate \$20,000,000, or such other amounts as the Borrower and the Bank may agree from time to time, and 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 twenty (20) years inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) a pro-rated amount of 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.
2. The Borrower shall, under arrangements satisfactory to the Bank, ensure that an Implementation Agreement entered into by Anhui, Chongqing, Guangxi, and Hubei with a Beneficiary Household providing for a Sub-financing include provisions for a lump-sum grant by the Borrower through Anhui, Chongqing, Guangxi or Hubei to said Beneficiary Household to be utilized for carrying out activities under Part A.1(a) of the Project included in a Household Package. The amount of said lump-sum grant to a Beneficiary Household in Anhui, Chongqing and Guangxi shall be an amount in addition to the Sub-financing for such Beneficiary Household, and shall be equivalent to an amount provided under the Borrower's treasury-bond funded bio-gas program for such Beneficiary Household. The amount of said lump-sum grant to a Beneficiary Household in Hubei shall be equivalent to an amount provided under the Borrower's treasury-bond funded bio-gas program for such Beneficiary Household after deducting the amount of the Sub-financing provided to said Beneficiary Household. The Borrower shall take all actions as necessary to provide such grant in a timely

manner in order to ensure the financial viability of said Household Package and facilitate the prompt signing of the Implementation Agreement. The Borrower shall ensure that Beneficiary Households receive financing in an equitable manner for carrying out their Household Packages and in an amount that shall be adequate for such purposes.

B. Institutional Arrangements

1. The Borrower shall maintain throughout the period of implementation of the Project:
 - (a) the Central Project Leading Group within its Ministry of Agriculture, for purposes of providing overall policy support and guidance on Project implementation at the central level, coordinating as needed with other line ministries and agencies of the Borrower at the central level, and disseminating in an organized and structured manner the lessons learned through the implementation of the Project; and
 - (b) the Central Project Management Office within its Ministry of Agriculture with such powers, funds, staffing and other resources as shall be required to enable the CPMO to coordinate at the central level the decisions taken by the Central Project Leading Group and carry out coordination of the overall Project planning, implementation, and reporting among the Project Implementing Entities.

C. Anti-Corruption

1. 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 shall monitor and evaluate the progress of the Project and 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 (1) calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than December 30, 2014.

B. Financial Management, Financial Reports and Audits

1. The Borrower 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 shall prepare and furnish to the Bank as part of the Progress Report not later than forty-five (45) 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 and Works.** All goods and works 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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive

Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	National Competitive Bidding in accordance with procedures set out in paragraph 3 below
(b)	Shopping
(c)	Community Participation

3. **Procedures for National Competitive Bidding.** The procedures to be followed for procuring goods and works under contracts awarded on the basis of 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.
- (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except contracts for works estimated to cost less than \$2,000,000 equivalent each or 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 Anhui, Chongqing, Guangxi and Hubei 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 afforded 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 Anhui, Chongqing, Guangxi and Hubei.
- (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 the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.
- (xi) Government owned enterprises in the Borrower's country may be permitted to bid or submit a proposal for goods if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law; and (C) are not a dependent agency of the agency conducting the procurement.
- (xii) Re-bidding should not be allowed solely because the number of bids is less than three (3).

C. Particular Methods of Procurement of Consultants’ Services

1. **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.
2. **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 Method	
(a)	Quality-Based Selection
(b)	Selection Based on Consultants’ Qualifications
(c)	Individual Consultants
(d)	Single Source Selection

D. Review by the Bank of Procurement Decisions

1. 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 estimated to cost the equivalent of \$300,000 or more; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; (c) each contract for consultants’ services provided by an individual estimated to cost the equivalent of \$25,000 or more; and (d) each contract for consultants’ services to be selected on a Single Source basis. 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 this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures inclusive of taxes, as set forth in the table in paragraph 2 below.
2. 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.

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
1. Anhui		
(a) Sub-financing for Household package	21,257,000	100% of Eligible Household Package Expenditures
(b) Works	2,064,600	70%
(c) Training and study tours	1,615,900	100%
2. Chongqing		
(a) Sub-financing for Household package	16,974,500	100% of Eligible Household Package Expenditures
(b) Works	4,030,900	70%
(c) Goods	947,000	100%
(d) Training and study tours	990,100	100%
3. Guangxi		
(a) Sub-financing for Household package	16,858,600	100% of Eligible Household Package Expenditures
(b) Works	6,143,100	70%
(c) Goods	1,587,300	100%
(d) Consultants' services, training and study tours	3,341,000	100%
4. Hubei		
(a) Sub-financing for Household package	19,666,400	100% of Eligible Household Package Expenditures
(b) Training and study tours	283,600	100%
5. Front-end Fee	240,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
TOTAL	96,000,000	

3. For purposes of this Section IV, the term "Eligible Household Package Expenditures" means an amount equivalent to the output unit cost for a Household Package as set forth in the Annex to this Schedule and to be

withdrawn from the Loan Account in accordance with the procedures referred to in paragraph B.2 of this Section IV.

B. Withdrawal Conditions, Procedures and Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an amount not to exceed \$2,700,000 equivalent may be made for payments made prior to this date but on or after October 16, 2008 for Eligible Expenditures.
2. Withdrawals for Eligible Household Package Expenditures shall be made: (a) in respect of established output unit costs for Beneficiary Households that have been selected in accordance with eligibility criteria set forth in Section A.1 of Annex 2 to the Schedule to the Project Agreement; (b) for financing Household Packages to be carried out by Beneficiary Households in accordance with the provisions of Implementation Agreements between Anhui, Chongqing, Guangxi or Hubei and Beneficiary Households referred to in Section I, paragraph 7 of the Schedule to the Project Agreement; and (c) in accordance with the procedures and arrangements set forth in the Annex to this Schedule.
3. The Closing Date is June 30, 2014.

ANNEX

Sub-financings for Household Packages

The procedures and arrangements for providing Sub-financings to Beneficiary Households for carrying out Household Packages and for withdrawing the proceeds of the Loan for financing said Sub-financings are set out below:

1. A Sub-financing shall be eligible for financing out of the proceeds of the Loan provided it is made by Anhui, Chongqing, Guangxi or Hubei to a Beneficiary Household for carrying out activities under Part A.1 of the Project included in Household Packages in accordance with the provisions of the Loan Agreement and the Project Agreement.
2. A Sub-financing to a Beneficiary Household in Anhui, Chongqing, Guangxi or Hubei shall be equivalent to the Eligible Household Package Expenditures for carrying out activities under Part A.1 of the Project included in a Household Package calculated on the basis of the following established unit cost for said activities, or such other output unit cost as may be established by the Bank after consultation with, and notification to, the Borrower and said Project Implementing Entities.

Project Implementing Entity	Unit Cost
Anhui	US\$229 to a Beneficiary Household for activities under Part A.1 of the Project included in a Household Package
Chongqing	US\$226 to a Beneficiary Household for activities under Part A.1 of the Project included in a Household Package
Guangxi	US\$209 to a Beneficiary Household for activities under Part A.1 of the Project included in a Household Package
Hubei	US\$98 to a Beneficiary Household for activities under Part A.1 of the Project included in a Household Package

3. A Household Package shall consist of activities under Part A.1 of the Project approved for financing through a Sub-financing and other funds by the Borrower and Anhui, Chongqing, Guangxi or Hubei in accordance with the provisions of the Loan Agreement and the Project Agreement.
4. Each Sub-financing shall be made available to a Beneficiary Household in the form of cash, except that a Sub-financing to a Beneficiary Household in Hubei

will be made available in the form of materials equivalent to the amount of the unit cost for Hubei set out in the table in paragraph 2 above.

5. An initial payment from the Sub-financing to a Beneficiary Household, except to Beneficiary Households in Hubei, may be made in an amount not exceeding 30% of the unit cost for a Household Package set out in the table in paragraph 2 upon the signing of the Implementation Agreement with said Beneficiary Household. The initial payment shall be refunded if the Household Package has not been completed in accordance with the provisions of the Implementation Agreement. For a Beneficiary Household in Hubei, materials will be provided to said Household as set out in paragraph 4 above and withdrawals under a Sub-financing made to said Household will be subject to paragraph 6 below which applies to all Project Implementing Entities.
6. Withdrawals under a Sub-financing, other than for the initial payment referred to in paragraph 5 above, shall be made only after: (a) Anhui, Chongqing, Guangxi or Hubei providing the Sub-financing has carried out an inspection of the Household Package after its completion and has approved the outputs achieved under said Household Package to be in conformity with the quality, technical standards and specifications set out in the Implementation Agreement; and (b) the Borrower, through Anhui, Chongqing, Guangxi or Hubei, has provided to the Bank an inspection certificate evidencing the satisfactory achievement of said outputs under the Household Package, all in a manner and substance satisfactory to the Bank.

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)
March 15, 2014	3.33%
September 15, 2014	3.33%
March 15, 2015	3.33%
September 15, 2015	3.33%
March 15, 2016	3.33%
September 15, 2016	3.33%
March 15, 2017	3.33%
September 15, 2017	3.33%
March 15, 2018	3.33%
September 15, 2018	3.33%
March 15, 2019	3.33%
September 15, 2019	3.33%
March 15, 2020	3.33%
September 15, 2020	3.33%
March 15, 2021	3.33%
September 15, 2021	3.33%
March 15, 2022	3.33%
September 15, 2022	3.33%
March 15, 2023	3.33%
September 15, 2023	3.33%
March 15, 2024	3.33%
September 15, 2024	3.33%
March 15, 2025	3.33%
September 15, 2025	3.33%
March 15, 2026	3.33%
September 15, 2026	3.33%

March 15, 2027	3.33%
September 15, 2027	3.33%
March 15, 2028	3.33%
September 15, 2028	3.43%

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 (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.
- (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. “Anhui” means the Borrower’s Province of Anhui, and any successor thereto.
3. “Beneficiary Household” means a household residing in the Project Area in Anhui, Chongqing, Guangxi or Hubei selected in accordance with eligibility criteria referred to in Section A.1 of Annex 2 to the Schedule to the Project Agreement for receiving a Sub-financing and additional funds to carry out a Household Package pursuant to an Implementation Agreement.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Central Project Management Office” and the acronym “CPMO” mean the office established within the Agricultural Project Management Division of the Foreign Economic and Cooperation Center of the Ministry of Agriculture (MOA) on March 1, 2005, and to be maintained according to the provisions of paragraph B.1(b) of Section I of Schedule 2 to this Agreement.
6. “Central Project Leading Group” and the acronym “CPLG” mean the group established within MOA on March 1, 2005, and to be maintained according to the provisions of paragraph B.1(a), Section I of Schedule 2 to this Agreement.
7. “Chongqing” means the Borrower’s Municipality of Chongqing, and any successor thereto.
8. “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.
9. “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.

10. “Environmental Assessment” and the acronym “EA” mean the document dated April 2007 adopted by the Project Implementing Entities, setting forth, inter alia, the assessment of environmental 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 EA may be amended from time to time with the prior agreement of the Bank.
11. “Ethnic Minorities Development Plan” means the development plan dated April 2007 adopted by the Project Implementing Entities with the objective of avoiding cultural, social and economic adverse effects on Ethnic Minorities caused or likely to be caused by the Project, and through a process of informed consultation and participation, involving concerned Ethnic Minorities in the design and implementation of relevant Project activities so as to ensure that the benefits received by the Ethnic Minorities under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights.
12. “Financial Bureau” means collectively the Department of Finance of Anhui Province, Chongqing Finance Bureau of Chongqing Municipality, the Department of Finance of Guangxi Zhuang Autonomous Region and, the Department of Finance of Hunan Province, and the Finance Bureau of Hubei Province.
13. “Financial Management Manual” means collectively the Financial Management Manuals adopted by Anhui, Chongqing, Guangxi, Hubei and Hunan each dated March 2007, and which sets out the policies and procedures for establishing and maintaining a financial management system to be implemented by Anhui, Chongqing, Guangxi, Hubei and Hunan, respectively, in the carrying out of the Project.
14. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
15. “Good Practice Environmental Guidelines” means the Guidelines dated April 2007 adopted by the Project Implementing Entities for purposes of implementing the Project pursuant to the finding and recommendations of the Environmental Assessment.
16. “Guangxi” means the Borrower’s Zhuang Autonomous Region of Guangxi, and any successor thereto.
17. “Household Package” means the package of activities to be carried out by a Beneficiary Household under Part A.1 of the Project utilizing the proceeds of a

Sub-financing and other funds made available pursuant to an Implementation Agreement.

18. “Hunan” means the Borrower’s Province of Hunan, and any successor thereto.
19. “Hubei” means the Borrower’s Province of Hubei, and any successor thereto.
20. “Implementation Agreement” means an agreement to be entered into between Anhui, Chongqing, Guangxi or Hubei and a Household Beneficiary for the purpose of providing a Sub-financing and other funds to said Beneficiary Household for carrying out a Household Package.
21. “Loan Agreement II” means the loan agreement of even date herewith, between the Bank and the Borrower, providing for a loan in an amount equal to twenty four million Dollars (\$24,000,000), to assist in the financing of the Project in Hunan.
22. “MOA” means the Borrower’s Ministry of Agriculture or any successor thereto.
23. “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.
24. “Procurement Plan” means collectively the Procurement Plans for the Project, adopted by Anhui, Chongqing, Guangxi and Hunan dated April 8, 2008, and by Hubei, dated June 5, 2008 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.
25. “Project Area” means the area comprising the counties in the rural areas of the Project Implementing Entities selected for participation in the Project as set out in Section IV of the Schedule to the Project Agreement.
26. “Project Agreement” means the agreement between the Bank and the Borrower’s Provinces of Anhui, Hunan and Hubei, the Zhuang Autonomous Region of Guangxi and the Municipality of Chongqing, and any successor 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.
27. “Project Implementing Entities” means Anhui Province, Chongqing Municipality, Guangxi Zhuang Autonomous Region, Hubei Province and Hunan Province.
28. “Project Implementation Manual” means the manual dated February 2008 adopted by the Borrower and the Project Implementing Entities which includes

the: (i) Project implementation arrangements; (ii) criteria and procedures for the eligibility of and financing to Beneficiary Households under the Project; (iii) criteria and procedures to appraise, select, finance and monitor the various activities under the Project; (iv) supervision and acceptance procedures for reimbursement purposes; (v) procurement procedures set forth in Section III Schedule 2 to the Loan Agreement and standard procurement documentation; (vi) reporting requirements, financial management procedures and audit procedures; (vii) the Environmental Assessment; (viii) the Financial Management Manuals; (ix) the Project Performance Indicators as set forth in the Annex 1 to the Schedule to the Project Agreement; (x) the monitoring and evaluation framework; (xi) the Policy Framework for Resettlement and Land Acquisition; (xii) the Good Practice Environmental Guidelines; and (xiii) the Ethnic Minorities Development Plan; as said Project Implementation Manual may be amended from time to time with the prior agreement by the Bank.

29. “Provincial Project Leading Groups” and the acronym “PPLGs” means the groups established and maintained according to the provisions of paragraph 1(a) of Section I of the Schedule to the Project Agreement.
30. “Provincial Project Management Offices” and the acronym “PPMOs” mean the offices established and maintained according to the provisions of paragraph 1(b), Section I of the Schedule to the Project Agreement.
31. “Policy Framework for Resettlement and Land Acquisition” means the policy framework, dated February 2007 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.
32. “Sub-financing” means a Sub-financing to be made by Anhui, Chongqing, Guangxi or Hubei out of the proceeds of the Loan to a Beneficiary Household under an Implementation Agreement for carrying out activities under Part A.1 of the Project included in a Household Package together with other funds.