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LOAN NUMBER 9701-CN

# Loan Agreement

(Sustainable Fodder Production and Low Methane Livestock Development  
Program for Results)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

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## **LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date 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) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this 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 the amount of one hundred eighty-six million five hundred thousand Euros (EUR 186,500,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread; or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

### **ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the objective of the Program. To this end, the Borrower shall cause the Program to be carried out by the Program Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Program Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension is that the Program Implementing Entity has modified, suspended, or adopted a successor program to the Gansu Sustainable Agricultural Development Plan, which will materially and adversely affect its ability to achieve the objective of the Program and/or perform any of its obligations under the Program Agreement.
- 4.02. The Additional Event of Acceleration is the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness is that the Program Implementing Entity has adopted the Program Implementation Plan, in form and substance acceptable to the Bank.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister, or a Vice Minister, of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions:

- (a) the Borrower's address is:

- Ministry of Finance
    - Sanlihe
    - Xicheng District
    - Beijing 100820
    - People's Republic of China; and

- (b) the Borrower's Electronic Address is:

- Facsimile:

- (86-10) 6855-2077

- 6.03. For purposes of Section 10.01 of the General Conditions:

- (a) the Bank's address is:

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

- (b) the Bank's Electronic Address is:


Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

**PEOPLE'S REPUBLIC OF CHINA**

By



**Authorized Representative**

**Name:** Zhang Bo

**Title:** Deputy Director General

**Date:** 13-Sep-2024

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By



**Authorized Representative**

**Name:** Mara warwick

**Title:** Country Director.

**Date:** 11-Sep-2024

## SCHEDULE 1

### Program Description

The objective of the Program is to improve productivity and lower methane emissions in selected livestock sub-sectors, and enhance the governance system for greening the livestock sector in the Program Counties of Gansu Province.

The Program consists of the following activities:

1. *Increasing Sustainability, Profitability and Reducing Emissions from the Livestock Sector.* Supporting: (a) Target Livestock Production Entities in adopting eligible low emission technologies and practices; (b) sustainable fodder production; (c) collection, treatment, and recycling of livestock manure in line with prevailing effluent standards; (d) practices aimed at improving animal health, productivity and welfare through timely vaccination against major animal diseases; and (e) development of anti-microbial resistance plans for improved food safety.
2. *Improving Governance System for Sustainable and Low Emission Livestock Sector Development.* (a) Developing and using a MRV system for emission reduction in the livestock value chains; (b) developing, evaluating and enhancing an incentive system for promoting low emission technologies and practices in the livestock sector; and (c) obtaining certificates for livestock products with green, organic or low emission standards.

## SCHEDULE 2

### Program Execution

#### Section I. Implementation Arrangements

##### A. Financing Arrangements

1. For the purposes of carrying out the Program, the Borrower shall make available to the Program Implementing Entity the proceeds of the Loan, under terms and conditions acceptable to the Bank, including the following principal terms:
  - (a) The principal amount shall be made available in Euros, or any other Currency as the Loan may be converted from time to time through a Currency Conversion of the value of the currency or currencies so withdrawn (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account).
  - (b) The principal amount so made available shall be recovered over a period of eighteen (18) years, inclusive of a grace period of six (6) years.
  - (c) 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 2.05 of this Agreement.
  - (d) A Commitment Charge shall be charged equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
2. The Borrower shall cause the Program Implementing Entity to: (a) manage, operate, monitor, transfer and reconcile the proceeds of the Loan made available to it pursuant to paragraph 1 above in accordance with arrangements and procedures acceptable to the Bank; (b) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of the proceeds of the said Loan and the implementation of the Program and, to enable the Program Implementing Entity to comply with its undertakings under the Program Agreement; and (c) maintain all relevant records and documents related to the Loan and the Program and provide promptly such documents and records, including all other information related to the Loan and the Program, as may be requested by the Borrower or the Bank from time to time.

##### B. Program Action Plan

The Borrower shall, and shall cause the Program Implementing Entity to take, all measures necessary to comply with, or all measures necessary to enable the Program Implementing Entity to comply with the provisions of Section I.B.2 of the Schedule to the Program Agreement.

**Section II. Excluded Activities**

The Borrower shall, and shall cause the Program Implementing Entity to, ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost \$115,000,000 equivalent or more per contract; (2) goods, estimated to cost \$75,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost \$75,000,000 equivalent or more per contract; or (4) consulting services, estimated to cost \$30,000,000 equivalent or more per contract.

**Section III. Program Monitoring, Reporting and Evaluation**

The Borrower shall cause the Program Implementing Entity to furnish to the Bank each Program Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

- 1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Program Expenditures (inclusive of Taxes), on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Program Implementing Entity, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”);; all as set forth in the table in paragraph 2 of this Part A.
- 2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), the allocation of the amounts of the Loan to each Category, and the Disbursement Calculation Formula for each Category:

| <b>Category (including Disbursement Linked Indicator as applicable)</b>  | <b>Disbursement Linked Result (as applicable)</b> | <b>Amount of the Loan Allocated (expressed in EUR)</b> | <b>Disbursement Calculation Formula</b> |
|--|---|--|---|
| (1) DLI #1: Hectares of area under sustainable fodder production in the Program Counties where at least three CSFPTPs are being consistently | DLR #1: Up to 100,000 hectares                    | 30,306,000   | DLR #1: EUR 303.06 per hectare          |

|   |  |                        |   |
|---|--|------------------------|---|
| (i.e., every season or year, as required) applied   |  |                        |   |
| (2) DLI #2: Number of unique Target Livestock Production Entities (“TLPEs”) that have adopted at least four low emission technologies and practices from the Eligible Technology and Practices List                               | DLR #2: Up to 700 TLPEs  | 43,407,875             | DLR #2: EUR 62,011.25 per each unique TLPE that has adopted at least four low emission technologies and practices             |
| (3) DLI #3: Share of treated and recycled livestock manure that meets effluent standards in the TLPEs   | DLR #3:<br>Year 1: 82%<br>Year 2: 84%<br>Year 3: 86%<br>Year 4: 88%<br>Year 5: 90%   | 28,161,500             | DLR #3: from the baseline of 80%, EUR 28,161.50 for each 0.01% increase in the share of treated and recycled livestock manure |
| (4) DLI #4: Number of TLPEs adopting improved animal health practices, specifically: (i) achieving vaccination rate against PPR, FMD and brucellosis of at least 90%; and (ii) developing anti-microbial resistance (“AMR”) plans | DLR #4.1: All TLPEs have achieved at least 90% vaccination rate annually against PPR, FMD and brucellosis for their cattle, sheep, and goats | DLR 4.1:<br>13,754,375 | DLR #4.1: EUR 2,750,875 per year, upon achievement of the 90% vaccination rate among all TLPEs                                |
|   | DLR #4.2: Up to 500 TLPEs have developed and adopted AMR plans   | DLR 4.2:<br>4,662,500  | DLR #4.2: EUR 9,325 per each TLPE   |
| (5) DLI #5: MRV system for emission reduction in the livestock value chains: (a) developed; and (b) utilized  | DLR #5.1: Gansu Province has developed an MRV system, in accordance with the criteria set out in the Verification Protocol                   | DLR 5.1:<br>12,122,625 | DLR #5.1:<br>EUR 12,122,625   |



|  |   |                        |  |
|--|---|------------------------|--|
|  | DLR #5.2: Gansu Province has utilized, for purposes of measuring emission reductions in the livestock value chains, an MRV system, in accordance with the criteria set out in the Verification Protocol | DLR 5.2:<br>12,122,625 | DLR #5.2:<br>EUR12,122,625                                     |
| (6) DLI #6: Incentive system for promoting low emission technologies and practices in livestock value chains demonstrated, demonstration results evaluated, and re-aligned incentive system elaborated | DLR #6.1: Gansu Province has designed a pilot system for adoption of low emission technologies and practices from the Eligible Technology and Practices List  | DLR 6.1:<br>7,770,834  | DLR #6.1: EUR<br>7,770,834                                     |
|  | DLR #6.2: Gansu Province has conducted an evaluation of at least 60% of the pilots carried out under DLI #2, in accordance with the criteria set out in the Verification Protocol                       | DLR 6.2:<br>7,770,833  | DLR #6.2: EUR<br>7,770,833                                     |
|  | DLR #6.3: Gansu Province has developed and adopted a realigned uptake (including incentive) system based on the results of the pilots implemented under DLI #2  | DLR 6.3:<br>7,770,833  | DLR #6.3: EUR<br>7,770,833                                     |
| (7) DLI #7: Number of livestock product certificates with green, organic, or low-emission standards in the Program Counties  | DLR #7: Up to 50 livestock products certificates have been issued signifying green, organic, or low-emission standards, as further described in the Verification Protocol                               | 18,650,000             | DLR #7: EUR<br>373,000 per<br>livestock product<br>certificate |

|              |  |             |  |
|--------------|--|-------------|--|
|              |  |             |  |
| TOTAL AMOUNT |  | 186,500,000 |  |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed EUR 18,650,000 may be made on the basis of DLRs achieved prior to this date but on or after June 30, 2023; and
  - (b) for any DLR under Category (1) through (7), until and unless the Program Implementing Entity has furnished evidence in accordance with the provisions of the Verification Protocol and acceptable to the Bank showing that the said DLR has been achieved.
  
2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed EUR 37,300,000 as an advance; provided, however, that if the DLRs in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the Disbursement Calculation Formula) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.
  
3. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs under Category (1) through (7) has not been achieved by the date by which the said DLR is set to be achieved (or such later date as the Bank has established by notice to the Borrower), the Bank may, by notice to the Borrower:
  - (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Disbursement Calculation Formula;
  - (b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or
  - (c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.
  
4. The Closing Date is December 31, 2030.
  
5. For purposes of, *inter alia*, Section 2.03 and 7.04 of the General Conditions, the term “Program Expenditures” means those expenditures incurred by the Program Implementing Entity under the budget codes and/or the accounts specified in the Program Implementation

Plan, and the expenditures financed out of the proceeds of the Loan, but excluding any expenditures associated with the Excluded Activities.

### SCHEDULE 3

#### Commitment-Linked Amortization Repayment Schedule

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”).

#### Level Principal Repayments

| <b>Principal Payment Date</b>  | <b>Installment Share</b> |
|--|--------------------------|
| On each January 15 and July 15<br>Beginning July 15, 2030<br>through July 15, 2041 | 4.170%                   |
| On January 15, 2042  | 4.090%                   |

## **APPENDIX**

### **Definitions**

1. “AMR” means anti-microbial resistance.
2. “Anti-corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012, and revised July 10, 2015.
3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
4. “CSFPTP” means the select climate smart fodder production technologies and practices, as set forth in the Program Implementation Plan.
5. “DARA” means Gansu Province’s Department of Agriculture and Rural Affairs.
6. “Disbursement Calculation Formula” means in respect of any DLR, the disbursement calculation formula set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
8. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
9. “Eligible Technology and Practices List” means the list of eligible low-emission technologies and practices to be used by scaled (medium and large) livestock production facilities, as amended from time to time with the agreement of the Bank, and set forth in the Program Implementation Plan.
10. “Excluded Activities” means the activities that are referred to in Section II of Schedule 2 to this Agreement and Section II of the Schedule to the Program Agreement.
11. “FMD” means foot-and-mouth disease.
12. “Gansu Province” means the Borrower’s province of the same name represented by its people’s government, or any successor thereto.
13. “Gansu Sustainable Agricultural Development Plan” means, for purposes of this Program, Gansu Province’s strategy aimed at implementation of the National Sustainable Agricultural Development Plan (NSADP; 2015–2030) and which consists of: (a) the Notice by the People’s Government of Gansu Province (PGGP) on Accelerating, Establishment and Improvement of the Implementation Plan for a Green, Low Carbon and Circular

- Development Economic System promulgated on August 12, 2021; (b) Notice of the General Office of the PGGP on the Implementation Plan for Optimizing and Upgrading the Agricultural Industrial Structure Using the Breeding Industry as the Lead, promulgated on December 1, 2022; and (c) Gansu Province Green Carbon Sequestration Implementation Opinion, jointly promulgated by the Ministry of Agriculture and Rural Affairs and the National Development and Reform Commission on June 30, 2022, and approved by the Gansu Province on July 1, 2022.
14. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Program-for-Results Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
  15. “GHG” means greenhouse gas.
  16. “GI” means Geographic Indication sign on a product of a specific geographic origin and possessing qualities or a reputation due to the origin.
  17. “HACCP” means Hazard Analysis Critical Control Point, representing a management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.
  18. “MRV” means measurement, reporting and verification.
  19. “PPR” means peste des petits ruminants.
  20. “Program Action Plan” means the Program Implementing Entity’s plan dated May 31, 2024, and referred to in Section I.B. of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Bank.
  21. “Program County” means Gansu Province’s counties of Minle and Sunan (Zhangye municipality), Lingtai and Jingchuan (Pingliang municipality), Zhengning (Qingyang municipality), Guazhou (Jiuquan municipality), Lanzhou New District (Lanzhou municipality), any successor thereto, or such other county or district as may be agreed between the Bank and the Program Implementing Entity.
  22. “Program Implementing Entity” means Gansu Province.
  23. “Program Implementation Plan” means the plan, acceptable to the Bank, to be adopted by the Program Implementing Entity, as amended from time to time with the agreement of the Bank, setting forth, among other things: (a) guidelines, policies, procedures and requirements for the implementation of the Program, including the Program Action Plan, the Verification Protocol, the Disbursement Calculation Formula, and additional measures to strengthen the Program Implementing Entity’s procurement, financial management, anti-corruption, environmental and social systems; (b) Eligible Technology and Practices List; (c) the institutional arrangements for the implementation of the Program, and the roles and responsibilities of the entities involved in Program implementation; and (d) monitoring and evaluation, reporting, auditing, and information disclosure arrangements, and the

- indicators and targets for purposes of monitoring and evaluation of the progress of the Program
24. “Provincial Department of Agriculture and Rural Affairs” means the Department of Agriculture and Rural Affairs of Gansu Province, or any successor thereto.
  25. “Provincial Program Steering Committee” means the steering committee established by the Program Implementing Entity and to be maintained in accordance with the provisions of Section I.B.1(a)(ii) of the Schedule to the Program Agreement.
  26. “Provincial Program Management Office” means the management office established by the Program Implementing Entity within its Provincial Department of Agriculture and Rural Affairs (or such other provincial department agreed with the Bank), and to be maintained in accordance with the provisions of Section I.B.1(a)(ii) of the Schedule to the Program Agreement.
  27. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
  28. “Target Livestock Production Entities” or “TLPE” means the targeted 700 livestock production entities (consisting of large and medium sized household/family farms, cooperatives and enterprises) in the Program Counties within the scope of the Program activities.
  29. “Verification Protocol” means the protocol setting forth the actions and mechanism required for verification of DLRs, agreed with the Bank, dated May 31, 2024, and referred to in Section IV.B.1(b) of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Bank.
  30. “Year 1” means the first year of implementation of Program activities, expected to end on December 31, 2026.
  31. “Year 2” means the second year of implementation of Program activities, expected to end on December 31, 2027.
  32. “Year 3” means the third year of implementation of Program activities, expected to end on December 31, 2028.
  33. “Year 4” means the fourth year of implementation of Program activities, expected to end on December 31, 2029.
  34. “Year 5” means the fifth year of implementation of Program activities, expected to end on December 31, 2030.