

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8661-CN

Program Agreement

(Hunan Fiscal Sustainability Development Policy Loan)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

HUNAN PROVINCE

Dated *February 7* 201*7*

PROGRAM AGREEMENT

AGREEMENT dated February 7, 2012, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and HUNAN PROVINCE ("Program Implementing Entity" or "Hunan") ("Program Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between the PEOPLE'S REPUBLIC OF CHINA ("Borrower") and the Bank. The Bank and the Program Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral 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 Loan Agreement, the General Conditions, and this Agreement.

ARTICLE II — PROGRAM

- 2.01. The Program Implementing Entity declares its commitment to the objectives of the Program and its implementation. To this end:
 - (a) the Program Implementing Entity and the Bank shall from time to time, at the request of either party, exchange views on the Program Implementing Entity's expenditure program, debt, fiscal arrangements with the Borrower, and progress achieved in the carrying out of the Program;
 - (b) prior to each such exchange of views, the Program Implementing Entity shall furnish the Bank, for its review and comment, a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon the provision of paragraphs (a) and (b) of this Section, the Program Implementing Entity shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Program Implementing Entity's Representative is its Governor.

3.02. The Bank's Address is:

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

Telex:

Facsimile:

248423(MCI) or
64145(MCI)

1-202-477-6391

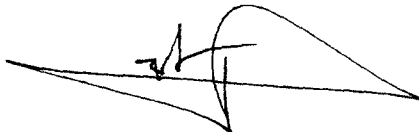
3.03. The Program Implementing Entity's Address is:

Hunan Provincial Finance Department
No. 1 Chengnanxi Road
Changsha, Hunan 410015
People's Republic of China

Fax No.: +86 731 8516-5108

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

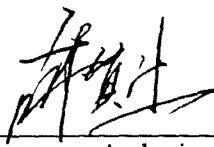
By 

Authorized Representative

Name: Bert Hofman

Title: Country Director, China

HUNAN PROVINCE

By 

Authorized Representative

Name: Hu Hebo

Title: Deputy Director-General
Hunan Provincial Finance Department

SCHEDULE

Actions Taken Under the Program

The actions taken by the Program Implementing Entity under the Program referred to in the Preamble to the Loan Agreement include the following:

1. Hunan provincial government has adopted and published a medium-term fiscal strategy, grounded in a debt sustainability analysis, which sets a target for provincial-level public investment financing that is consistent with fiscal sustainability, as evidenced by: (a) the government's decree (*XiangCaiYu*, 2016, No.53) entitled: "Hunan Provincial Government Medium-term Strategy", dated April 29, 2016; and (b) the publication of the medium-term fiscal strategy in Hunan provincial government's website.
2. Hunan provincial government has instituted the annual formulation of three-year rolling capital financing plans for the provincial-level budget, as evidenced by the government's decree (*XiangCaiYu*, 2016, No. 51) entitled "Compilation of Medium-term Financing Plan for Hunan Provincial Government's Public-Benefit Projects", dated February 29, 2016.
3. Hunan provincial government has adopted a three-year rolling capital financing plan for the provincial-level budget for transportation, water/irrigation, and social housing for the calendar years 2016-2018, itemizing project by project, as evidenced by: the government's decree (*XiangCaiYu*, 2016, No. 86) entitled "the Circular of Medium-term Financing Plan for the Hunan Provincial-level Government's Major Public Benefit Projects for the years of 2016-2018", dated August 17, 2016.
4. Hunan provincial government has established the Interagency Committee for Public Investment Financing and Debt Risk Management, as evidenced by the government's Act (*XiangZhengHan*, 2016, No. 5) entitled: "Hunan Province Government's Reply on Agreeing to Establish an Inter-agency Committee for Province-level Government Debt Budget Management and Risk Control", dated on January 6, 2016.
5. Hunan provincial government has implemented an allocation scheme for bond swaps and new borrowings that rewards local governments for achieving better performance and early warning system indicators, as evidenced by the government's decrees (*XiangCaiJin*, 2015 No. 50 and *XiangCaiYu*, 2015, No. 132), dated December 14 and December 4, 2015, respectively, on Allocating Subnational Government Swap Bond Quota in 2015, along with their explanatory notes.
6. Hunan provincial government has approved its debt management framework to

strengthen regulations by, *inter alia*: (a) establishing informational requirements for local governments, including submission and disclosure of a fund use plan for new borrowing and basic debt data; (b) requiring the submission of risk mitigation action plans from local governments classified as “red” and “orange” in the provincial early warning system; and (c) allocating new borrowing limits to local governments based on indicators set in the early warning system, as evidenced by the official summary of Hunan government’s meeting No. 78, dated June 21, 2016 (accessible in the government’s website), during which the debt management framework was duly approved, as well as by the government’s confirmation letter addressed to the Bank, dated September 5, 2016.

7. Beginning in calendar year 2016, Hunan provincial government has started publishing annual Citizens’ Budget Reports and Budget Performance Reports, and has set up an internet platform which allows an open engagement with citizens in relation to such reports, as evidenced by the Hunan Province Government’s Citizen Budget Report and Budget Performance Report for 2015, both of which are publicly accessible on the government’s website.
8. Beginning in calendar year 2016, Hunan provincial government has: (a) started producing and publishing biannual debt reports, containing debt information for the provincial level, and consolidated information for sub-provincial governments, and (b) created an internet platform for local governments for the disclosure of subnational debt and financial data, as evidenced by a copy of the Hunan Province Comprehensive Debt Report 2015, which is publicly available on the government’s website.