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**LOAN NUMBER 4773-CHA**

## **Loan Agreement**

**(Agricultural Technology Transfer Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 7, 2005**

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**LOAN NUMBER 4773-CHA**

**LOAN AGREEMENT**

AGREEMENT, dated June 7, 2005, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

Whereas (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by Anhui Province (Anhui), Hunan Province (Hunan), Heilongjiang Province (Heilongjiang), and Shaanxi Province (Shaanxi) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Anhui, Hunan, Heilongjiang, and Shaanxi, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and Anhui, Hunan, Heilongjiang, and Shaanxi (the Project Agreement).

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through May 1, 2004) with the following modifications (the General Conditions) constitute an integral part of this Agreement: Section 6.03 (c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) “Central Project Leading Group” means the group to be established and maintained in accordance with the provisions of Section 3.04(a) of this Agreement.

(c) “Central Project Management Office” or “CPMO” means the central Project management office to be maintained by the Borrower within SOCAD in accordance with the provisions of Section 3.04(b) of this Agreement.

(d) “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.

(e) “Environmental Management Plan” means the plan, dated December 30, 2004, adopted by each Project Province and referred to in paragraph 2 of Schedule 2 to the Project Agreement, setting out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as the same may be revised from time to time with the agreement of the Bank.

(f) “Expert Assessment Team” means the team referred to in Section 3.05 of this Agreement.

(g) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement.

(h) “Fiscal Year” means: (i) in respect of the Borrower, each period from January 1 through December 31 of the calendar year; (ii) in respect of the Project Provinces, each period from January 1 through December 31 of the calendar year.

(i) “Local PMOs” means, in respect of each Project Province, the Project management offices to be maintained at the city and county level within said Project Province, in accordance with paragraph 1(c) of Schedule 2 to the Project Agreement; and the term “Local PMO” means any of such Local PMOs.

(j) “Multi-Ethnic Group Development Plans” means, collectively, the Multi-Ethnic Group Development Plan dated April 5, 2004, adopted by Heilongjiang; Multi-Ethnic Group Development Plan dated February 20, 2004, adopted by Hunan, and

referred to in paragraph 4 of Schedule 2 to the Project Agreement, which set out policies and procedures to ensure consultation with and the informed participation in the Project of minority nationalities within Heilongjiang and Hunan, as said plans may be revised from time to time with the prior agreement of the Bank.

(k) “Pest Management Plans” means, collectively, the pest management plan for Hunan, the pest management plan for Anhui, the pest management plan for Heilongjiang, and the pest management plan for Shaanxi, all dated December 31, 2004, adopted by each Project Province, and referred to in paragraph 2(c) of Schedule 2 to the Project Agreement, which sets out measures and procedures to manage pests in an integrated manner, including to select and apply pesticides, whenever necessary, so as to minimize adverse effects on beneficial organisms, humans and the environment.

(l) “Procurement Plan” means the Borrower’s procurement plan, dated January 3, 2005, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(m) “Project Agreement” means the agreement among the Bank and Anhui, Hunan, Heilongjiang, and Shaanxi 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.

(n) “Project Implementation Plan” means the plan, dated January 12, 2005, referred to in paragraph 5 of Schedule 2 to the Project Agreement, as the same may be revised from time to time with the prior agreement of the Bank.

(o) “Project Provinces” means, collectively, Anhui, Hunan, Heilongjiang, and Shaanxi; and a “Project Province” means, individually, any of said Project Provinces.

(p) “Provincial Project Leading Groups” means the inter-agency groups established and maintained by the Project Provinces in accordance with paragraph 1(a) of Schedule 2 to the Project Agreement.

(q) “PPMO” means, in respect of each Project Province, the provincial Project management office to be maintained by said Project Province within its Provincial Office for Comprehensive Agricultural Development, in accordance with the provisions of paragraph 1(b) of Schedule 2 to the Project Agreement.

(r) “Resettlement Policy Framework” means the policy framework dated January 12, 2005, adopted by each Project Province, and referred to in paragraph 3 of Schedule 2 to the Project Agreement, which sets out policies and procedures for acquisition, compensation and rehabilitation of Displaced Persons, and guidelines for the

preparation of resettlement action plans if necessary, as said policy framework may be amended from time to time with the prior agreement of the Bank.

(s) “Respective Part of the Project” means, in respect of each Project Province, the carrying out of Project activities in said Project Province.

(t) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

(u) “SOCAD” means the State Office for Comprehensive Agricultural Development, a department within the Borrower’s Ministry of Finance, and any successor thereto.

(v) “Sub-grant” means a grant made to a beneficiary of the proceeds of the Loan to finance part of the cost of goods and works required for a Sub-project under Parts Part B.1, B.2, B.3 and B.4 of the Project, and “Sub-grants” means, collectively, all such Sub-grants.

(w) “Sub-project” means a specific agricultural technology investment project selected for financing under Parts B.1, B.2, B.3, and B.4 of the Project in accordance with the provisions of paragraph 7 of Schedule 2 to the Project Agreement; and “Sub-projects” means, collectively, all such Sub-projects.

(x) “Yangling Development Zone” means the first national level agriculture technology zone established in Yangling, Shaanxi Province in 1997 by the State Council, served as a focal point of agricultural research and development for the Borrower’s North-West region.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Anhui, Hunan, Heilongjiang, and Shaanxi.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to one hundred million Dollars (\$100,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement:

- (i) for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and consultants' services required for the Project described in Schedule 2 to this Agreement (other than for Sub-grants under Parts B.1, B.2, B.3 and B.4 of the Project) and to be financed out of the proceeds of the Loan;
- (ii) for amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made under a Sub-grant to meet the reasonable cost of goods and services required for a Sub-project under Parts B.1, B.2, B.3 and B.4 of the Project in respect of which withdrawal from the Loan Account is requested; and
- (iii) in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars, a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2010, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fees as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period,

each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ( $3/4$  of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on December 15 and June 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause each Project Province to perform in accordance with the provisions of the Project Agreement all the obligations of the Project Province therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Project Province to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) To this end, the Borrower shall make part of the proceeds of the Loan available to each Project Province to carry out its Respective Part of the Project on a grant basis, and in accordance with proper arrangements satisfactory to the Bank.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by each Project Province pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall:

(a) establish, no later than August 31, 2005, and maintain throughout the period of implementation of the Project, a Central Project Leading Group, with terms of reference, composition, and other resources acceptable to the Bank, to be responsible for providing policy guidance for the Project; and

(b) maintain throughout the period of implementation of the Project the Central Project Management Office established within SOCAD, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for overall Project

supervision and coordination between the Project Provinces, including in respect of training, study tours and Project monitoring, evaluation and reporting.

Section 3.05. The Borrower shall establish an Expert Assessment Team, by December 31, 2005, with terms of reference, staffing, and other resources acceptable to the Bank, to be responsible for monitoring and evaluating the implementation of Sub-projects.

Section 3.06. The Borrower shall:

(a) Maintain policies and procedures adequate to enable it, through the Expert Assessment Team, to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Sub-projects, as well as the achievement of the objectives thereof.

(b) Prepare, under terms of reference acceptable to the Bank, and furnish to the Bank, on or about November 30, 2006 and November 30, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this Section on the success achieved in the carrying out of the Sub-projects during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Sub-Project and the achievement of the objectives thereof during the period following such date.

(c) After furnishing each report referred to in sub-paragraph (b) of this Section, review said report with the Bank, on or about January 31, 2007 and January 31, 2008, or such later date as the Bank may agree, and promptly take all measures required to ensure the efficient completion of the Sub-project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Bank's views on the matter.

(d) Prepare, under terms of reference acceptable to the Bank, and furnish to the Bank, on or about November 30, 2010, a final report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above on the progress achieved in the carrying out of the Sub-projects during the Project period since the Project's inception, and setting out the measures recommended to ensure that the lessons learned or experience gained from the implementation of the Sub-projects could be adopted to the Borrower's other similar projects.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, and shall cause each Project Province to maintain a financial management system, including records and accounts, and to prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall, and also cause each Project Province to:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall, and also cause each Project Province to:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
- (ii) enable the Bank's representatives to examine such records; and

- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) The Borrower shall prepare and furnish to the Bank a consolidated financial monitoring report (integrating the information provided in the reports submitted by the Project Provinces, pursuant the provisions of Article III to the Project Agreement), in form and substance satisfactory to the Bank, which sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds.

(b) The first such financial monitoring report shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each financial monitoring report shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) Any Project Provinces shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that a Project Province will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by each Project Province, and is legally binding upon such Project Province in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

FINANMIN  
Beijing

Facsimile:

(86-10) 68551125

For the Bank:

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

|                               |                                |                |
|-------------------------------|--------------------------------|----------------|
| Cable address:                | Telex:                         | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423 (MCI) or<br>64145 (MCI) | (202) 477-6391 |

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By: /s/ Ju Kuilin

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ David Dollar

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

|     | <u>Category</u>             | <u>Amount of the<br/>Loan Allocated<br/>(Expressed in Dollars)</u> | <u>% of<br/>Expenditures<br/>to be financed</u>  |
|-----|-----------------------------|--|--|
| (1) | Works                       | 16,300,000   | 50%  |
| (2) | Goods                       | 36,400,000   | 100% of foreign expenditures, 100% of local expenditures, (ex-factory cost) and 75% of local expenditures for items procured locally |
| (3) | Sub-grants for Sub-Projects | 20,000,000   | 100% of amount of Sub-grants disbursed   |
| (4) | Consultants' Services       | 8,600,000  | 91%  |
| (5) | Training and study tours    | 8,000,000  | 100%   |
| (6) | Front-end Fee               | 500,000  | Amount due under Section 2.04 of this Agreement  |
| (7) | Unallocated                 | <u>10,200,000</u>  |  |
|     | TOTAL                       | <u>100,000,000</u>   |  |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the

Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be “foreign expenditures”; and

(b) the term “local expenditures” means any expenditures that are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$4,000,000, may be made in respect of Categories (1), (2), (3), and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after October 1, 2004.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$200,000 equivalent per contract; (b) works costing less than \$1,000,000 equivalent per contract; (c) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (d) for services of individual consultants costing less than \$50,000 equivalent per contract; (e) Sub-grants; and (f) training and study tours, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in developing and testing innovative models for the transfer and application of agricultural technology, with the goal of improving the income of farmers.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Agricultural Information Markets and Services

Building and equipping: (i) technology markets, demonstration and exhibition centers in the Yangling Development Zone and Xianyang City in Shaanxi Province; and (ii) an agricultural science and technology park in Harbin City, Heilongjiang Province.

#### Part B: Promotion of Agricultural Technologies

1. Carrying out of Sub-projects for the development, marketing and application of commercially attractive technologies through tripartite contractual arrangements among researchers (research institutions), investors (commercial companies), and farmers (farmer organizations).
2. Carrying out of Sub-projects for the development and marketing of high innovation agricultural technologies with a public interest nature through bipartite contractual arrangements between researchers (research institutions) and investors (commercial companies).
3. Carrying out of Sub-projects for the improvement of farmer organizations and their ability to adopt new agricultural technologies for production and marketing.
4. Carrying out of Sub-projects to provide targeted support for women farmers and poor farming households to undertake innovative technologies investments.
5. Carrying out a program of institutional strengthening and support to create an enabling environment for the commercialization of agricultural technologies, through the provision of technical assistance, training, workshops and goods to organizations, including Intellectual Property Management Office and Intellectual Property Service Center of the Yangling Development Zone; Organic Food Testing Center of Northwest Science and Technology University of Agriculture and Forestry; and Xinyuan Biological and Ecological Research Institute (specifically, its integrated pesticides management program).

Part C: Institutional Strengthening

1. Strengthening the capacity of the Administrative Committee of the Yangling Development Zone for developing strategies for sustainable agricultural resource management, including the establishment of a policy advisory panel to review policies guiding Yangling's development; and supporting policy studies identified by said advisory panel.

2. Strengthening the capabilities of the CPMO and the PPMOs in the Project management, monitoring and evaluation through training and workshops and provision of equipment and vehicles required for the Project implementation.

\* \* \*

The Project is expected to be completed by June 30, 2010.

**SCHEDULE 3**

**Amortization Schedule**

| <u>Date Payment Due</u> | <u>Payment of Principal<br/>(Expressed in<br/>Dollars)*</u> |
|-------------------------|---|
| December 15, 2010       | 2,745,000   |
| June 15, 2011           | 2,780,000   |
| December 15, 2011       | 2,815,000   |
| June 15, 2012           | 2,850,000   |
| December 15, 2012       | 2,890,000   |
| June 15, 2013           | 2,925,000   |
| December 15, 2013       | 2,965,000   |
| June 15, 2014           | 3,005,000   |
| December 15, 2014       | 3,045,000   |
| June 15, 2015           | 3,085,000   |
| December 15, 2015       | 3,125,000   |
| June 15, 2016           | 3,165,000   |
| December 15, 2016       | 3,205,000   |
| June 15, 2017           | 3,250,000   |
| December 15, 2017       | 3,290,000   |
| June 15, 2018           | 3,335,000   |
| December 15, 2018       | 3,380,000   |
| June 15, 2019           | 3,420,000   |
| December 15, 2019       | 3,465,000   |
| June 15, 2020           | 3,510,000   |
| December 15, 2020       | 3,560,000   |
| June 15, 2021           | 3,605,000   |
| December 15, 2021       | 3,650,000   |
| June 15, 2022           | 3,700,000   |
| December 15, 2022       | 3,750,000   |
| June 15, 2023           | 3,795,000   |
| December 15, 2023       | 3,845,000   |
| June 15, 2024           | 3,895,000   |
| December 15, 2024       | 3,950,000   |
| June 15, 2025           | 4,000,000   |

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\*The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

## **SCHEDULE 4**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means the amount of \$8,000,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$5,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$30,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.