

CONFORMED COPY

LOAN NUMBER 4187-CHA

Loan Agreement
(Qinba Mountains Poverty Reduction Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 21, 1997

LOAN NUMBER 4187-CHA

LOAN AGREEMENT

AGREEMENT, dated July 21, 1997, 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 the Interim Fund Development Credit Agreement of even date herewith (the Interim Fund Development Credit Agreement) between the Borrower and the International Development Association (the Association), acting as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 of the Board of Governors of the Association adopted on June 26, 1996, has requested the Bank to assist in the financing of the Project;

(B) the Borrower has also requested the Association to provide additional financial assistance towards the financing of the Project, and by the Interim Fund Development Credit Agreement the Administrator is agreeing to provide such assistance in an aggregate principal amount equivalent to one hundred eight million five hundred thousand Special Drawing Rights (SDR108,500,000) (the Interim Fund Credit);

(C) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the Interim Fund Credit be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in this Agreement are made; and

(D) the Project will be carried out at the national level by the Borrower, through the Borrower's Leading Group for Poverty Reduction, and at the provincial

level by the Borrower's Provinces of Sichuan and Shaanxi and the Borrower's Autonomous Region of Ningxia Hui, with the Borrower's assistance, and as part of such assistance, the Borrower will make available to said provinces and autonomous region the proceeds of the Interim Fund Credit and of the Loan, as provided in the Interim Fund Development Credit Agreement and 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;

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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Interim Fund Development Credit Agreement have the respective meanings therein set forth and the term "Interim Fund Development Credit Agreement" means the agreement for the Project of even date herewith between the Borrower and the Association (acting as administrator of the interim trust fund established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 of the Board of Governors of the Association adopted on June 26, 1996), as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Interim Fund Development Credit Agreement.

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 thirty million dollars (\$30,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Interim Fund Development Credit Agreement for (a) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project (other than Part E(2) thereof) described in Schedule 2 to the Interim Fund Development Credit Agreement and to be financed out of the proceeds of the Loan, and (b) amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made by Microfinance Beneficiaries under Microfinance Sub-loans to meet the reasonable cost of goods and services required for the Microfinance Sub-projects in respect of which withdrawal from the Loan Account is requested.

Section 2.03. The Closing Date shall be January 31, 2004 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 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 2.05. (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 2.06 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) one half of one percent (1/2 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 2.05, 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 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 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in the Schedule to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 2.02(b), 3.01, 3.02, 3.03 and 4.01 of the Interim Fund Development Credit Agreement and Schedules 1, 2, 3, 4 and 5 thereto are incorporated in the Loan Agreement, with the following modifications to said Sections 2.02(b), 3.01, 3.02 and 4.01, and Schedules 2 and 4 (other than Part B.3 of said Schedule 4) unless the context otherwise requires:

- (i) the term "Administrator" shall be read as "Bank";
- (ii) the term "Interim Fund Credit" and "Interim Fund Credit Account" shall be read as "Loan" and "Loan Account"; and
- (iii) the term "this Agreement" shall be read as "the Interim Fund Development Credit Agreement".

(b) So long as any part of the Interim Fund Credit provided for under the Interim Fund Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Bank:

- (i) all actions taken, including approvals given, by the Administrator pursuant to any of the Sections of, and Schedules to, the Interim Fund Development Credit Agreement enumerated in paragraph (a) of this Section, as well as pursuant to Section 2.02(a) of the Interim Fund Development Credit Agreement, shall be deemed to be taken or given in the name and on behalf of both the Administrator and the Bank; and
- (ii) all information or documentation furnished by the Borrower to the Administrator pursuant to the provisions of any of such Sections of the Interim Fund Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Administrator and the Bank.

ARTICLE IV

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02(1) of the General Conditions, the following events are specified, namely, that the events set out in Section 5.01 of the Interim Fund Development Credit Agreement.

Section 4.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified, namely, that the events set out in Section 5.02 of the Interim Fund Development Credit Agreement, provided, however, that the term "Administrator" wherever it appears in such Section shall be read as "Bank".

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Interim Fund Development Credit Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 5.02. 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.

Section 5.03. If the Interim Fund Development Credit Agreement terminates prior

to the termination of this Agreement, the provisions of the Interim Fund Development Credit Agreement referred to in this Agreement shall continue in full force and effect between the Borrower and the Bank.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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

Telex:

22486 MFPRC CN

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhou Wenzhong

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino

Regional Vice President
East Asia and Pacific

SCHEDULE

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
November 15, 2002	635,000
May 15, 2003	655,000
November 15, 2003	670,000
May 15, 2004	690,000
November 15, 2004	715,000
May 15, 2005	735,000
November 15, 2005	755,000
May 15, 2006	780,000
November 15, 2006	800,000
May 15, 2007	825,000
November 15, 2007	850,000
May 15, 2008	875,000
November 15, 2008	900,000
May 15, 2009	925,000
November 15, 2009	955,000
May 15, 2010	985,000
November 15, 2010	1,010,000
May 15, 2011	1,040,000
November 15, 2011	1,075,000
May 15, 2012	1,105,000
November 15, 2012	1,140,000
May 15, 2013	1,170,000
November 15, 2013	1,205,000
May 15, 2014	1,240,000
November 15, 2014	1,280,000
May 15, 2015	1,315,000
November 15, 2015	1,355,000
May 15, 2016	1,395,000
November 15, 2016	1,435,000
May 15, 2017	1,485,000

* 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.