

**OFFICIAL  
DOCUMENTS**

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**LOAN NUMBER 8623-CN**

**Loan Agreement**

**(Hebei Air Pollution Prevention and Control Program)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated** *July 12* **, 2016**

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**LOAN AGREEMENT**

Agreement dated July 12, 2016, 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 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, on the terms and conditions set forth or referred to in this Agreement, the amount of five hundred million Dollars (\$500,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("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 payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (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: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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.
- 2.09. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.
- (b) For purposes of this Section the following terms have the meanings set forth below:
- (i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the

Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

- (ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.
- (iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

### **ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the objectives 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 and the Program Agreement.
- 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 Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. 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 its Minister of Finance.
- 5.02. The Borrower's Address is:

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

Facsimile:

(86-10) 6855-2077

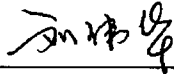
5.03. The Bank's Address is:

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

Telex: 248423(MCI) or 64145(MCI)      Facsimile: 1-202-477-6391

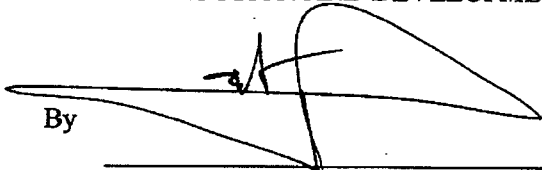
AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By   
Authorized Representative

Name: Li'a Weilun  
Title: Deputy Director General  
International Economic and  
Financial Cooperation Department  
Ministry of Finance

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By   
Authorized Representative

Name: Bert Hofman  
Title: Country Director, China

## SCHEDULE 1

### Program Description

The objective of the Program is to reduce emissions of specific air pollutants in the key sectors in Hebei.

The Program consists of the following activities under the HAP:

1. ***Comprehensive Control of Industrial Enterprises and Reduction of Multi-pollutants Emissions from Key Industrial Sectors.*** Strengthening the CEM systems, through, *inter alia*: (i) the upgrade of the verification, calibration, and data collection protocols; (ii) the expansion of the CEM systems to cover the main polluting enterprises of Hebei; (iii) the promotion of the proper installation and operation of desulfurization and denitrification facilities in the relevant enterprises; and (iv) the promotion of the upgrade of dust removal facilities in the relevant enterprises.
2. ***Area Pollution Control and Dust Control.*** (i) Decreasing the use of inefficient coal-burning stoves; (ii) optimizing the use of nitrogen-based fertilizers in crops; and (iii) improving crop residue management, and waste management in animal husbandry farms.
3. ***Prevention and Control of Emissions from Mobile Sources.*** Implementing key measures for reducing vehicular emissions and fuel-related activities, including: (i) accelerating the elimination of Yellow-sticker Vehicles and their disposal, in accordance with National Regulations; (ii) strengthening the environmental management of vehicles; (iii) promoting the use of new energy vehicles; (iv) accelerating the adoption of stricter transport fuel standards; and (v) implementing VOC controls to ensure oil and gas vapor recovery at refueling stations.
4. ***Monitoring and Warning Systems, and Planning Tools.*** Developing air quality management systems and strengthening institutional capacity, though, *inter alia*: (i) establishing a smart platform for monitoring ecological environment covering Hebei; (ii) strengthening the emissions data collection system; and (iii) developing a 5-year Cost-effective Comprehensive Plan on Air Quality Control for Hebei's 13<sup>th</sup> FYP.

## SCHEDULE 2

### Program Execution

#### Section I. Implementation Arrangements

##### A. Program Fiduciary, Environmental, and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank ("Program Fiduciary, Environmental, and Social Systems") which are designed to ensure that:

1. The Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

##### B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

##### C. Other Program Institutional and Implementation Arrangements

#### Financing Arrangements

1. For the purposes of carrying out of the Program, the Borrower shall make available the proceeds of the Loan to the Program Implementing Entity, under terms and conditions satisfactory to the Bank, including the following principal terms:
  - (a) The principal amount shall be made available in Dollars or any other Currency as the Loan may be converted from time to time through a Currency Conversion (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
  - (b) The principal amount so made available (including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and any premium for Interest Rate Caps or Interest Rate Collars paid pursuant to Section 2.08(c) of this Agreement and Section 4.05(c) of the General Conditions) shall be recovered over a period of nineteen (19) years, inclusive of a grace period of five (5) 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 satisfactory to the Bank; (b) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said Loan proceeds 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, as may be requested by the Borrower or the Bank from time to time.

**Program Action Plan**

3. The Borrower shall take, 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.C.2 of the Schedule to the Program Agreement.

**Section II. Excluded Activities**

The Borrower shall 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 US\$ 75 million equivalent or more per contract; (2) goods, estimated to cost US\$ 50 million equivalent or more per contract; (3) non-consulting services, estimated to cost US\$ 40 million equivalent or more per contract; or (4) consultants' services, estimated to cost US\$ 20 million equivalent or more per contract.

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

**A. Program Reports**

The Borrower shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of six (6) months, and shall be



furnished to the Bank not later than sixty (60) days after the end of the period covered by such report.

**B. Program Financial Audits**

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall have the 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 fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) months after the end of such period.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Borrower to: (a) pay the Front-end Fee; (b) pay each Interest Rate Cap or Interest Rate Collar premium; and (c) finance the Program Expenditures, 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"); as set forth in the table of Schedule 4 to this Agreement, and in the table in paragraph 2 of this Part A, respectively.
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), and the allocation of the amounts of the Loan to each Category:

| Category<br>(including Disbursement Linked Indicator as applicable)  | Amount of the Loan Allocated<br>(expressed in USD) |
|--|--|
| (1) DLI #1: Number of EPBs at the provincial and prefecture level implementing Standard Protocols on CEM Systems for emissions of air pollutants                         | 60,000,000   |
| (2) DLI #2: Percentage of enterprises in State-controlled Lists and Municipal-controlled Lists integrated in the Improved CEM and Enforcement Systems for Air Pollutants | 120,000,000  |
| (3) DLI #3: Number of Clean Stoves installed   | 80,000,000   |
| (4) DLI #4: Number of hectares with increased NUE of at least 37% due to the application of formula fertilizer based on soil testing                                     | 79,980,000   |
| (5) DLI #5: Number of Clean Energy Buses replacing diesel buses, which are disposed of, in accordance with the National Regulations                                      | 78,770,000   |
| (6) DLI #6: Implementation of a Comprehensive Official Emissions Inventory System  | 40,000,000   |
| (7) DLI #7: Approval of a Cost-effective Comprehensive Plan on Air Quality Control for the next 5 years  | 40,000,000   |
| (8) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions                                     | 1,250,000  |
| (9) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 2.08(c) of this Agreement in accordance with Section 4.05 of the General Conditions | 0  |
| <b>TOTAL AMOUNT</b>  | <b>500,000,000</b>                                 |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement; and
  - (b) for any DLI under Categories (1) through (7), until and unless the Borrower has furnished evidence satisfactory to the Bank that the Minimum DLR of the corresponding DLI, and thereafter any DLR above the Minimum DLR, have been achieved.
  
2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw: an amount not to exceed \$121,500,000 as an advance under any of Categories (1) through (7); provided, however, that if the DLRs corresponding to said Categories in

the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance 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, the amount of the Loan to be withdrawn upon the verified achievement of the Minimum DLR of the corresponding DLI, and thereafter any DLR above the Minimum DLR, shall be calculated, in accordance with the Formula.
4. Notwithstanding the provisions of Part B.1(b) of this Section, if the Bank is not satisfied that any of the DLRs corresponding to any DLI has been achieved by the Closing Date, the Bank may, at any time, by notice to the Borrower, decide, in its sole discretion, to: (i) reallocate all or a portion of the proceeds of the Loan then allocated to said DLI Category to any other DLI Category; and/or (ii) cancel all or a portion of the proceeds of the Annual DLR Allocation.
5. The Closing Date is December 31, 2018.
6. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, exclusive of any such expenditures financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.

**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.

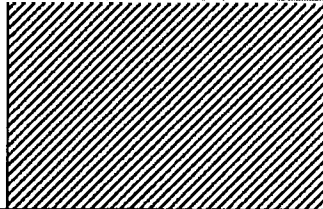
| <b>Principal Payment Date</b>   | <b>Installment Share<br/>(Expressed as a Percentage)</b> |
|---|--|
| On each February 15 and August 15<br>Beginning August 15, 2021<br>through August 15, 2034 | 3.57%  |
| On February 15, 2035  | 3.61%  |

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 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.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**SCHEDULE 4**

**Disbursement-Linked Results**

|  |  |  |  |  |
|--|--|--|--|--|
| 1. Number of EPBs at the provincial and prefecture level implementing Standard Protocols on CEM Systems for emissions of air pollutants.                         | 3 EPBs at the provincial and prefecture level implementing Standard Protocols on CEM Systems for emissions of air pollutants.                                    | 9 EPBs at the provincial and prefecture level implementing Standard Protocols on CEM Systems for emissions of air pollutants.  |   | US\$5 million per EPB.   |
| 2. Percentage of enterprises in State-controlled Lists and Municipal-controlled Lists integrated in the Improved CEM and Enforcement Systems for Air Pollutants. | Hebei has integrated in the Improved CEM and Enforcement Systems for Air Pollutants 20% of enterprises in State-controlled Lists and Municipal-controlled Lists. | Hebei has integrated in the Improved CEM and Enforcement Systems for Air Pollutants the remaining 70% of enterprises in State-controlled Lists and Municipal-controlled Lists. | Hebei has integrated in the Improved CEM and Enforcement Systems for Air Pollutants the remaining 10% of enterprises in State-controlled Lists and Municipal-controlled Lists. | US\$12 million per each 10% of the enterprises in State-controlled Lists and Municipal-controlled Lists integrated in the Improved CEM and Enforcement Systems for Air Pollutants. |
| 3. Number of Clean Stoves installed.   | Hebei has installed 100,000 Clean Stoves.  | Hebei has installed 600,000 Clean Stoves.  | Hebei has installed 100,000 Clean Stoves.  | US\$1 million per 10,000 Clean Stoves  |
| 4. Number of hectares with increased NUE of at least 37% due to the application of formula fertilizer based on soil testing.                                     | NUE has increased to 37% in 1.0 million hectares due to the application of formula fertilizer based on soil testing.   | NUE has increased to 37% in 2.2 million hectares due to the application of formula fertilizer based on soil testing.   | NUE has increased to 37% in 3.0 million hectares due to the application of formula fertilizer based on soil testing.   | US\$1.29 million per every 100,000 hectares with increased NUE of at least 37% due to the application of formula fertilizer based on soil testing.                                 |
| 5. Number of Clean Energy Buses replacing diesel buses, which are disposed of, in accordance   | Hebei has 2000 Clean Energy Buses replacing diesel buses, and disposed of all decommissioned   | Hebei has 2500 Clean Energy Buses replacing diesel buses, and disposed of all decommissioned   |  | US\$8.752 million per 500 Clean Energy Buses.  |

|   |   |  |  |  |
|---|---|--|--|--|
|   |   |  |  |  |
| with the National Regulations.  | diesel buses, in accordance with the National Regulations.  | diesel buses, in accordance with the National Regulations.   |  |  |
| 6. Implementation of a Comprehensive Official Emissions Inventory System.                       | Hebei has implemented a Comprehensive Official Emissions Inventory System.  |  |  | US\$40 million.  |
| 7. Approval of a Cost-effective Comprehensive Plan on Air Quality Control for the next 5 years. | Hebei provincial EPB has submitted a Cost-effective Comprehensive Plan on Air Quality Control for the next 5 years for Hebei's Governor's approval. | Hebei's Governor has approved a Cost-effective Comprehensive Plan on Air Quality Control for the next 5 years. |  | US\$20 million for the submission of the Cost-effective Comprehensive Plan on Air Quality Control for the next 5 years.<br><br>US\$20 million for the approval of the Cost-effective Comprehensive Plan on Air Quality Control for the next 5 years. |

## APPENDIX

### Section I. Definitions

1. "Annual DLR Allocation" means in respect to any DLR the amount of the Loan calculated as the product of the Unit Price per the target expected to be achieved under the corresponding DLI in a given year (as said target is set forth in the table in Schedule 4 to this Agreement).
2. "Annual Work Plan, Targets and Budget Allocations" means each of the rolling plans of activities, targets and overall budget allocations for the Program to be prepared or updated by the Program Implementing Entity on an annual basis as provided for in Section I.C.3 of the Schedule to the Program Agreement.
3. "Anti-Corruption Guidelines" means the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012, and revised July 10, 2015.
4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
5. "CEM" means continuous emissions monitoring.
6. "Clean Energy Vehicles" means, collectively, gas-powered buses, electric buses and plugin hybrid buses, or such other type of buses agreed with the Bank.
7. "Clean Stoves" means the stoves that meet a set of specific technical requirements, acceptable to the Bank.
8. "Comprehensive Official Emissions Inventory System" means an emissions inventory system established by Hebei's EPB, in accordance with guidelines, acceptable to the Bank, and populated with emissions data of the calendar year prior to the Effective Date.
9. "Cost-effective Comprehensive Plan on Air Quality Control" means a plan to be developed by Hebei provincial EPB for further improving the air quality in Hebei, using data and methodologies, acceptable to the Bank.
10. "Coordination Office" means the office established by Hebei in July 2015, within Hebei's Development and Reform Commission, responsible for supporting the implementation and coordination of the Program, and referred to in Section C.1 (c) of the Schedule to the Program Agreement.
11. "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.
12. "Disbursement Linked Result" or "DLR" means the results/targets set forth in the table in Schedule 4 to this Agreement, in the columns entitled "DLRs to be achieved in Year 1", "DLRs to be achieved in Year 2", and "DLRs to be achieved in Year 3", on the basis of



the achievement of which, the amount of the Loan allocated to the Category of the corresponding DLI of said result may be withdrawn in accordance with the provisions of said Section IV.

13. "EPBs" means Hebei's Environmental Protection Bureaus.
14. "Formula" means measure for calculating disbursements against DLRs in a given year, given by the product of the Unit Price per the actual target achieved, as determined by the Bank, under a given DLR in the respective year.
15. "FYP" means five-year plan.
16. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
17. "Hebei Province" and "Hebei" mean the Borrower's Province of Hebei, or any successor thereto; and the Program Implementing Entity for the purpose of the General Conditions.
18. "HAP" means the Hebei Air Pollution Prevention and Control Implementation Action Plan adopted by Hebei, in September 2013, setting forth the goal to decrease ambient PM 2.5 concentration by 25%.
19. "High-level Provincial Working Group" means Hebei's group established in October 2013, comprising its Governor as chair and representatives of key line departments and municipalities, or a successor thereto; and referred to in Section C.1 (a) of the Schedule to the Program Agreement.
20. "Improved CEM and Enforcement Systems for Air Pollutants" means the systems to be established by EPBs for the purpose of monitoring and enforcing the emissions standards set for the enterprises in State-controlled Lists and Municipal-controlled Lists, including a set of standard operational procedures, acceptable to the Bank, for: (a) the unaltered transfer of data from the CEM system of each enterprise to the provincial central CEM data base; (b) ensuring the completeness, quality, and integrity of data including in each CEM system; and (c) for compliance checking and enforcement follow-up organized by the provincial central CEM data base, based upon automatic alarms showing exceedances hour-by-hour.
21. "Minimum DLR" means with respect to: (i) DLI#1, 3 EPBs at the provincial and prefecture level implementing Standard Protocols on CEM Systems for emissions of air pollutants; (ii) DLI#2, 20% of enterprises in State-controlled Lists and Municipal-controlled Lists integrated in the Improved CEM and Enforcement Systems for Air Pollutants; (iii) DLI#3, 100,000 Clean Stoves installed; (iv) DLI#4, 1.0 million hectares with increased NUE of at least 37% due to the application of formula fertilizer based on soil testing; (v) DLI#5, 500 Clean Energy Buses replacing diesel buses, which are disposed of, in accordance with the National Regulations; (vi) DLI#6, the DLR to be achieved in Year 1; and (vii) DLI#7, the DLR to be achieved in Year 1.

22. "Municipal-controlled Lists" means the lists prepared by each of Hebei's EPBs at the municipal level, setting forth the enterprises required to be connected to the CEM systems for emissions of air pollutants.
23. "National Regulations" means a set of regulations adopted by the responsible entities of the Borrower, as of the date of this Agreement, for the purpose of defining the operation of vehicle dismantling facilities; as they may be amended from time to time to the extent they remain consistent with the Program Fiduciary, Environmental, and Social Systems.
24. "NO<sub>x</sub>" means nitrogen oxides.
25. "NUE" means nitrogen use efficiency.
26. "Program Action Plan" mean the Program Implementing Entity's plan dated April 22, 2016, and referred to in Section I.C.3 of Schedule 2 to the Loan Agreement, and Section I.C.2 of the Schedule to the Program Agreement, as may be amended from time to time with the prior written agreement of the Bank.
27. "Program Fiduciary, Environmental, and Social Systems" means the Program Implementing Entity's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement, and Section I.A of the Schedule to the Program Agreement.
28. "Program Implementing Entity" means Hebei.
29. "SO<sub>2</sub>" means sulfur dioxide.
30. "Standard Protocols on CEM Systems for emissions of air pollutants" means the standard protocols, acceptable to the Bank, used by EPBs at the provincial and prefecture level, for the calibration of TSP, SO<sub>2</sub>, NO<sub>x</sub> CEM equipment at production lines for enterprises.
31. "State-controlled Lists" means the lists prepared by the Borrower's Ministry of Environmental Protection, setting forth the enterprises required to be connected to the CEM systems for emissions of air pollutants.
32. "TSP" means total suspended particulate.
33. "Unit Price" means in respect of any DLR the amount set forth in the fifth column of the table in Schedule 4 to this Agreement.
34. "VOC" means volatile organic compounds.
35. "Working Group Office" means the office established by Hebei in October 2013, within Hebei's provincial Environmental Protection Bureau, responsible for the overall implementation of the HAP, and referred to in Section C.1 (b) of the Schedule to the Program Agreement.
36. "Year 1" means the year, starting on the Effective Date, and ending the date one year after the Effective Date.

37. "Year 2" means the year, starting on the date one year after the Effective Date, and ending the date two years after the Effective Date.
38. "Year 3" means the year, starting on the date two years after the Effective Date, and ending on the Closing Date.
39. "Yellow-sticker Vehicles" means gasoline vehicles and diesel vehicles that do not meet the Recipient's State Grade I and State Grade III, respectively; as said grades may be amended from time to time.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Bank to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;".
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank."

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

  - (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).
  - (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”
10. Section 7.01, *Cancellation by the Borrower*, is modified to read: “The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance.”
11. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled “*Misprocurement*”, is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
13. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.
14. A new paragraph 19 is inserted with the following definition of “Commitment Charge”, and the remaining paragraphs are renumbered accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
15. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
16. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank

pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

17. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.
18. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of “Special Commitment” is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.