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LOAN NUMBER 3312-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Gansu Featured Agriculture and Financial Services System Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 8 DECEMBER 2015

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PRC 47046

## **LOAN AGREEMENT (Ordinary Operations)**

LOAN AGREEMENT dated 8 December 2015 between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

(B) the Project will be carried out by the Gansu Provincial Government ("GPG") and by the financial intermediaries identified herein and for this purpose the Borrower will make the proceeds of the loan available to GPG and will cause GPG to make the amount of loan proceeds specified in Section 3.02 of this Loan Agreement available to the financial intermediaries upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the Gansu Provincial Government;

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

**Commitment Charge; Credit.** (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

- (b) Section 3.06 is deleted and the following is substituted therefor:

**Rebate.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (c) Section 3.07 is deleted and the following is substituted therefor:

**Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “Ancillary Commitment Letter” means a binding agreement between an FI and a Qualified Subborrower, ancillary to a Subloan Agreement, that (i) reflects all requirements of the Project Agreement and the PAM to be performed by the Qualified Subborrower; and (ii) gives the FI the right to exercise remedies under the related Subloan Agreement and any related collateral or guarantee agreements;

(b) “Annual Plan” means an annual plan agreed between GPG and each FI and reported to ADB for that FI’s onlending under its Relending Agreement in the subsequent financial year;

(c) “ASME” or “Agricultural Small or Medium Enterprise” has the meaning specified in Small and Medium Enterprise Categorizing Standards (2011);

(d) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(e) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in the PAM;

(f) “Ethnic Minority Development Plan” or “EMDP” means the ethnic minorities development plan for the Project, including any update thereto, and any EMDP developed for a Qualified Subproject in accordance with the PAM and the Ethnic Minorities Development Framework in the ESMS;

(g) “Environmental Management Plan” or “EMP” means an environmental management plan for a Qualified Subproject, including any update thereto, incorporated in an IEE;

(h) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(i) “ESMS” or “Environmental and Social Management System” means an environmental and social management system to be adopted, with ADB’s prior approval, and implemented by each FI and with the PMOs fulfilling the roles assigned to them in the ESMS, in accordance with the template ESMS provided by ADB or a simplified version to be adopted, with ADB’s prior approval, by an RFSP;

(j) “Financial Intermediary” or “FI” means each of Bank of Gansu, Bank of Lanzhou and Yuzhong SPD Rural Bank or any successor to any thereof that is acceptable to ADB, and any other financial institution selected, with ADB’s prior written approval, to act as a financial intermediary in the Project;

(k) “Free Limit” means (i) for Subloans to an individual or household, the Renminbi equivalent at the time of making the Subloan of \$100,000 and (ii) for loans to any subborrower other than those mentioned in subclause (i), the Renminbi equivalent at the time of

making the Subloan of \$1,000,000, or in each case, such other sum as shall from time to time be agreed between ADB and the Borrower;

(l) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(m) “IA” or “Implementing Agency” means each FI and the Bureau of Agriculture and Animal Husbandry in each of the Project Counties;

(n) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(o) “Initial Environmental Examination” or “IEE” means an initial environmental examination for any Qualified Subproject, including any update thereto, prepared by the Subborrower, reviewed by the relevant FI and PMO, and submitted to ADB by GPG and cleared by ADB;

(p) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(q) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(r) “management letter” means formal communications from the auditor to the client’s management in accordance with the International Standard on Auditing 265 (communicating deficiencies in internal control to those charged with governance and management), which is not required to be provided separately as it is equivalent to the Audit Findings and Recommendations prepared by the Project auditor and submitted to ADB;

(s) “PAM” means the project administration manual for the Project dated 25 September 2015 and agreed between GPG and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, GPG and ADB;

(t) “PMO” or “Project Management Office” means a project management office established by GPG to provide overall administration and coordination services for the Project or a county-level project management office in each Project County, and “PMOs” means any or all of them;

(u) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);

(v) “Production Base” means a concentrated agricultural production area with a relatively important economic position at the national or local level, which reliably can provide a large amount of agricultural products over the long term. Production bases emphasize: (i) standardized production and regionalized farming to enlarge production scale as far as possible; (ii) in terms of management, implementation of technical standard procedures; and (iii) in terms of operating, promotion of cooperative mechanisms;

(w) "Project County" means the following counties in Gansu Province: Huan, Jingchuan, Kongtong, Lingtai, Zhenyuan, Hezheng, Jishishan, Lintao, Min, Yongjing, and Yuzhong counties;

(x) "Qualified Subborrower" means an organization or individual described in paragraph 2 of Schedule 4 to this Loan Agreement;

(y) "Qualified Subproject" means, a specific subproject that satisfies the eligibility criteria set out in paragraph 3 of Schedule 4 to this Loan Agreement, to be carried out by a Qualified Subborrower;

(z) "Recycled Funds" means principal amounts of onlent ADB Loans repaid to FIs by subborrowers and principal amounts of recycled funds repaid to FIs by subborrowers;

(aa) "Relending Agreements" means the agreements between GPG and the FIs referred to in Section 3.02 of this Loan Agreement;

(bb) "RFSP" or "Rural Financial Services Provider" means a village and township bank, microcredit company, rural mutual cooperative or other type of financial service provider acceptable to ADB that is operating in a Project County;

(cc) "Safeguards Monitoring Report" means each report prepared and submitted by GPG to ADB that describes progress with implementation of and compliance with each ESMS, any EMP for a Qualified Subproject and the EMDP and SGAP, including any corrective and preventative actions;

(dd) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(ee) "Social and Gender Action Plan" or "SGAP" means the Social and Gender Action Plan developed for the Project in accordance with the PAM and the the ESMS;

(ff) "Subloan" means a loan made, or proposed to be made, by an FI out of the proceeds of the Loan, including any Recycled Funds, or using counterpart funding, to a Qualified Subborrower for a Qualified Subproject;

(gg) "Subloan Agreement" means a binding agreement between an FI and one or more Qualified Subborrowers whereunder the FI makes a Subloan; and

(hh) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 6 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02 The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulation.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04 Interest and other charges on the Loan shall be payable semiannually on May 1 and November 1 in each year.

Section 2.05. (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, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating 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 said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan

Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Description of Project; Use of Proceeds of the Loan**

Section 3.01. The Project for which the Loan is made is (a) the financing by the FI's of specific agriculture-related subprojects by making loans to Qualified Subborrowers for the sole purpose of carrying out Qualified Subprojects, (b) establishing grassroots financial service units to extend rural financial service coverage; (c) development of innovative rural financial services products; (d) market development and brand promotion and (e) capacity development and support for PMOs, and households, businesses and institutions involved in agriculture or agriculture-related businesses in the Project Counties, all in accordance with this Loan Agreement and the Project Agreement.

Section 3.02. The Borrower shall cause GPG, acting through its Department of Finance, to enter into a Relending Agreement with each FI, providing inter alia for the relending of eighty-two million one hundred ninety-six thousand Dollars (\$82,196,000) in aggregate to the FIs, the carrying out of the Project, and the rights of the Borrower, GPG and ADB with respect thereto. Such Relending Agreement shall be acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for (i) making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively to finance the cost of Goods, Works and Consulting Services and other items of expenditure required to carry out such Qualified Subprojects; (ii) capacity development and support for PMOs, and households, businesses and institutions involved in agriculture or agriculture-related businesses in the Project Counties.

(b) Except as ADB may otherwise agree, the Borrower shall, through GPG, procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 3 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

(c) Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.04. With respect to the amount included in the Loan for financing interest and commitment charges on the Loan during the implementation of the Project, ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.



Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2021 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.

(b) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 4 of this Loan Agreement.

Section 4.02. In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Subborrowers, the Qualified Subprojects, the Subloans; (b) the administration, operations and financial condition of the FIs and RFSPs, and (c) the implementation of the Project generally.

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, each FI and RFSP, the RFSP's subborrowers and the Goods and Works, and any relevant records and documents maintained by each FI and RFSP.

Section 4.04. The Borrower shall, through GPG, promptly take all action, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable GPG to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall cause GPG to exercise its rights under the Relending Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Relending Agreements shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

#### For the Borrower

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

Facsimile Number:

+8610 6855 2061

#### For ADB

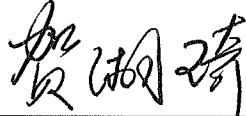
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:


(632) 636-2444  
(632) 636- 2534.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF CHINA

By  \_\_\_\_\_  
HE XIANGQI  
Authorized Representative

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_  
AYUMI KONISHI  
Director General  
East Asia Department

**SCHEDULE 1****Amortization Schedule****(Gansu Featured Agriculture and Financial Services System Project)**

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 shall 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 ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Date Payment Due | Installment Share<br>(Expressed as a %) |
|------------------|---|
| 1 May 2025       | 8.333333                                |
| 1 November 2025  | 8.333333                                |
| 1 May 2026       | 8.333333                                |
| 1 November 2026  | 8.333333                                |
| 1 May 2027       | 8.333333                                |
| 1 November 2027  | 8.333333                                |
| 1 May 2028       | 8.333333                                |
| 1 November 2028  | 8.333333                                |
| 1 May 2029       | 8.333333                                |
| 1 November 2029  | 8.333333                                |
| 1 May 2030       | 8.333333                                |
| 1 November 2030  | 8.333337                                |
| Total            | 100.000000                              |

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal

Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made 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.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be 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 2

### Allocation and Withdrawal of Loan Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

#### Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

#### Interest and Commitment Charges

3. The amount allocated to Category interest and commitment charges is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

#### Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Borrower, reallocate such excess amount to any other Category.

#### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause GPG Provincial Department of Finance to establish an imprest account at a bank acceptable to ADB after the Loan becomes effective. The currency of the imprest account shall be the Dollar. The imprest account is to be used exclusively for ADB's share of eligible expenditures for the Project and for onlending to the FIs. The imprest account will be established, managed, and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the estimated expenditure for the first six months of Project implementation.

(b) The statement of expenditures (SOE) procedure may be used in liquidating and replenishing the imprest account and reimbursing eligible expenditures and advancing loans to the FIs under their Relending Agreements subject to any limit set out in the PAM from time to time. Any individual Subloan to be advanced or reimbursed under the SOE procedure shall not exceed the Free Limit for that type of Subloan.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, including to fund Subloans where both the Subloan Agreement was entered into and the Qualified Subproject expenditure to be financed by the Subloan was incurred, before the Effective Date, but, in either such case, not earlier than 12 months before the date of this Loan Agreement in connection with Subloans and other items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

8. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for onlending to any FI until such FI has entered into a Relending Agreement acceptable to ADB that meets the requirements in Schedule 4 paragraph 5 of this Loan Agreement.

TABLE

## Allocation and Withdrawal of Loan Proceeds

| Category     |   |  |             | ADB Financing   |
|--------------|---|--|-------------|---|
| No.          | Item  | Total Amount Allocated for ADB Financing |             | Percentage and Basis for Withdrawal from the Loan Account |
|              |   | Category                                 | Subcategory |   |
| 1            | Sub-loans through FIs*  | 82,196,000                               |             |   |
| 1A           | Establishment of production bases                               |  | 51,176,000  | 100% of expenditures claimed                              |
| 1B           | Support to cooperatives /ASMEs                                  |  | 22,634,000  | 100% of expenditures claimed                              |
| 1C           | Rural financial service system                                  |  | 8,386,000   | 65% of expenditures claimed                               |
| 2            | Market development, and Project management support <sup>a</sup> | 10,138,000                               |             | 100% of expenditures claimed                              |
| 3            | Interest and commitment charges                                 | 7,666,000                                |             | 100% of amount due  |
| <b>Total</b> |   | 100,000,000                              |             |   |

<sup>a</sup> ADB financing part will be front-loading and ADB will disburse in 100% up to the specified amount.

\* Subject to the condition for withdrawal in para 8 of Schedule 2.



### SCHEDULE 3

#### Procurement of Goods, Works and Consulting Services

##### General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

##### Procurement by FIs and Qualified Subborrowers

3. The Borrower shall cause GPG and the FIs to ensure that each Qualified Subborrower undertakes procurement of Goods, Works, and Consulting Services with due attention to economy and efficiency and in accordance with established private sector or commercial practices acceptable to ADB.

##### Procurement by Government: Goods

4. Except as ADB may otherwise agree, Goods shall only be procured by government agencies on the basis of the methods of procurement set forth below:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.

5. The methods of government procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

##### Domestic Preference

6. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

##### National Competitive Bidding

7. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Consulting Services

8. Except as ADB may otherwise agree, the Borrower shall cause GPG to apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Borrower shall cause GPG to recruit the individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (a) The Borrower shall cause GPG, the FIs in the case of subborrowers, and the other IAs in the case of government agencies, to ensure that all Goods and Works procured by government agencies and Qualified Subborrowers (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause GPG, the FIs in the case of subborrowers, and the other IAs in the case of government agencies, to ensure that all contracts entered into by government agencies and Qualified Subborrowers for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove.

11. The Borrower shall cause GPG, the FIs in the case of subborrowers, and the other IAs in the case of government agencies, to ensure that all ADB-financed contracts entered into by each government agency and Qualified Subborrowers with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

## SCHEDULE 4

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. The Borrower shall, and shall cause GPG and the FIs to, ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by GPG and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Qualified Subborrower

2. The Borrower, through GPG, shall ensure that the FIs lend only to the types of subborrowers ("Qualified Subborrowers") specified below and that meet the criteria specified below and other criteria set out from time to time in the PAM:

- (a) RFSPs, comprising village and township banks (VTBs), microcredit companies (MCCs), rural mutual cooperatives (RMCs) or other types of financial companies approved from time to time by ADB, that are legally registered within a Project County;
- (b) Farmer cooperatives, ASMEs or other types of business organizations approved from time to time by ADB that are legally registered in a Project County and engaged in commercially-oriented business; and
- (c) Individuals and households engaged in farming or agriculture related activities in a Project County.

#### Qualified Subproject

3. The Borrower, through GPG shall ensure that the proceeds of ADB Loans that are onlent by the FIs are used exclusively to carry out subprojects ("Qualified Subprojects") in the Project Counties, comprising one of the below and that meet the criteria applicable to that type of subproject as set out from time to time in the PAM:

- (a) Establishing or developing commercial production bases to gain economy of scale and improve the quality of products for locally featured cash and tree crops and livestock;
- (b) Developing agriculture-related businesses by (a) business development or expansion through acquisition of packing, grading, and processing equipment; transportation vehicles, technical equipment, and building storages; (ii) market development including information access, sale promotion, and building marketing networks; and (iii) developing branding including certification and trademark registration for cash crops, tree crops and livestock products agricultural products that are geographically adapted to the Project Counties where they are produced and that have a potential for high market value; or

- (c) In the case of loans to RFSPs, expanding RFSP funding resources for onlending to farmers, farmer cooperatives and ASMEs in the Project Counties for agriculture-related purposes.

#### Counterpart Support

4. The Borrower shall cause GPG to ensure timely provision of the counterpart financing specified to be provided by GPG in the Project Agreement and the PAM and additional counterpart funding for any shortfall of funds or cost overruns in Project activities to be conducted by government agencies; provided that neither the Borrower nor GPG shall be required to provide any counterpart funding or funding for shortfalls or cost overruns that is specified in the Project Agreement or the PAM to be provided by FIs or subborrowers but that is not so provided.

#### Relending Agreements; Subloan Template Agreements

5. The Borrower shall cause GPG not to make any loan to any FI until GPG and the FI have signed a Relending Agreement acceptable to ADB that reflects the Project activities and undertakings to be performed by the FI or, through the FI, by subborrowers, and that attaches template forms of the Subloan Agreement(s) and Ancillary Commitment Letter(s) that the FI proposes to use for Project purposes and any legal opinions reasonably requested by ADB confirming the validity and enforceability of such agreements under PRC law.