
LOAN NUMBER 2436-PRC

GRANT NUMBER 0113-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Ningxia Integrated Ecosystem and Agricultural Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 6 MARCH 2009

LAL:PRC 38660

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 6 March 2009 between PEOPLE'S REPUBLIC OF CHINA (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Global Environmental Facility (hereinafter called the GEF) has approved a grant (hereinafter called the GEF Grant) to the Borrower of four million five hundred forty five thousand dollars (\$4,545,000) to be administered by ADB, to finance a portion of the Project;

(C) the Project will be carried out by the Government of Ningxia Hui Autonomous Region (hereinafter called NHARG) through NHARG's Finance Department (hereinafter called NFD), and for this purpose the Borrower will make available to NHARG the proceeds of the Loan and the GEF Grant provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources and to administer the GEF Grant upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and NHARG.

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, 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 thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

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

Commitment Charge. (aa) 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.

Credit. (bb) ADB shall provide 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 amount of the credit against the interest payable by the Borrower.

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

(aa) 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.

(bb) 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(b) is deleted and the following is substituted therefor:

(aa) 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.

(bb) 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, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

- (a) "CA" means conservation agriculture;
- (b) "Component" means each of Component 1, Component 2, Component 3 and Component 4 as further described in paragraph 2 of Schedule 1 to this Loan Agreement;
- (c) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers, dated February 2007, as amended from time to time;
- (d) "EIA" means the environmental impact assessment prepared for the Project dated 16 February 2007 for the Project Area and approved by NHARG;
- (e) "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;
- (f) "HPCMA" means the Helan Mountains Piedmont Conservation Management Area;
- (g) "IEM" means integrated ecosystem management;

- (h) "IWRMP" means the Integrated Water Resources Management Plan;
- (i) "LG" means the lead group described in paragraph 2 of Schedule 5 to this Loan Agreement;
- (j) "NAB" means Ningxia Administrative Bureau and any successor thereto;
- (k) "NARB" means Ningxia Agricultural Reclamation Bureau and any successor thereto;
- (l) "NWRD" means the Ningxia Water Resources Department and any successor thereto;
- (m) "Onlending Agreements" means the onlending agreements referred to in Section 3.01(b) of this Loan Agreement;
- (n) "PIU" means the Project implementation unit of the relevant Project Implementation Agency;
- (o) "PPMO" means the Provincial Project Management Office described in paragraph 4 of Schedule 5 to this Loan Agreement;
- (p) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;
- (q) "Procurement Plan" means the procurement plan for the Project dated 24 April 2008 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (r) "Project Area" means an area of approximately 3,655 km² West of the Yellow River in NHAR and includes the three districts of Xingqing, Jinfeng and Xixia and the two counties of Yongning and Helan and the City of Yinchuan;
- (s) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means NHARG or any legal successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (t) "Project facilities" means the equipment and facilities (or any part thereof) to be provided or constructed under the Project;
- (u) "Project Implementation Agency" means each or any of, NAB, NARB, NFD, NWRD and YMG;
- (v) "RP" means the resettlement plan relating to the Project prepared and endorsed by NHARG on 4 June 2007;
- (w) "SEIA" means the Summary Environmental Impact Assessment approved by ADB in May 2007;

(x) “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; and

(y) “YMG” means the Yinchuan Municipality Government and any successor thereto.

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 20 years, and a grace period as defined in paragraph (c) of this Section.

(c) The term “grace period” as used in paragraph (b) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 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 LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.40% as provided by Section 3.03 of the Loan Regulations.

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 sixty (60) days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (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 paragraph (a) of this Section 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

Use of Proceeds of the Loan and the GEF Grant

Section 3.01. (a) The Borrower shall make the proceeds of the Loan and the GEF Grant available to NHARG upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for making available to NHARG the proceeds of the Loan shall include (i) interest and commitment charge as the same rate as the Loan; (ii) a repayment period including a grace period identical to those of the Loan; and (iii) NHARG bearing the foreign exchange and interest variation risks of such proceeds.

(b) The Borrower shall cause NHARG to onlend certain of the proceeds of the Loan to the following Project Implementation Agencies under the following arrangements:

- (i) under an Onlending Agreement between NHARG and NARB in the amount of \$32,210,000;
- (ii) under an Onlending Agreement between NHARG and YMG in the amount of \$36,460,000;
- (iii) Under an Onlending Agreement between NHARG and NAB in the amount of \$10,000,000; and
- (iv) Under an Onlending Agreement between NHARG and NWRD in the amount of \$15,000,000.

(c) Except as ADB may otherwise agree, the terms and conditions of each Onlending Agreement shall include (i) commitment charge and interest at the rates identical

to those applied to the Loan; (ii) a repayment period including a grace period identical to those applied to the Loan; (iii) each Project Implementing Agency bearing the foreign exchange and interest variation risks of the proceeds of the Loan borrowed thereunder; and (iv) each Project Implementing Agency performing the obligations to the extent applicable to it, as provided in the Project Agreement which shall be an integral part of each such Onlending Agreement.

(d) The Borrower shall cause NHARG, and shall ensure that the Project Implementation Agencies, through NHARG, apply the proceeds of the Loan and the GEF Grant to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the GEF Grant and the allocation of amounts of the Loan and the GEF Grant among different categories of such Goods, Works and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan and the GEF Grant shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting or services have 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.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and consulting services financed out of the proceeds of the Loan and the GEF Grant to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 30 April 2015 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 NHARG to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, integrated ecosystem management and conservation agriculture practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Schedule to the Project Agreement.

Section 4.02. The Borrower shall make available to NHARG, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan and the GEF Grant, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable NHARG 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 NHARG to ensure that it exercise its rights under the Onlending 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 Onlending Agreements shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: any party to an Onlending Agreement shall have failed to perform any of its obligations set out in the respective Onlending Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any event specified in Section 5.01 of this Loan Agreement shall have occurred.

Section 5.03. In the event that the Loan Account shall be suspended, the GEF Grant shall also be suspended in respect of all withdrawals until such time as the Loan Account is restored. In the event that the Loan Account is cancelled pursuant to Section 9.02 of the Loan Regulations, any remaining balance of the GEF Grant shall also be cancelled contemporaneously with the cancellation of the Loan Account.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: receipt by ADB of confirmation of the GEF Grant through the endorsement by the Chief Executive Officer of the GEF Secretariat.

Section 6.02. A date ninety (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 VII

Miscellaneous

Section 7.01. 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 7.02. 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

Cable Address:

22486 MFPRC CN

Facsimile Number:

(8610) 6855-1125.

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By  _____
DENG XIJUN
Authorized Representative

ASIAN DEVELOPMENT BANK

By  _____
HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

Impact and Outcome

1. The intended impact of the proposed Project will be improved environmental management to rehabilitate the ecosystems and increase rural incomes in the Yinchuan Plain. The Project's expected outcome is to introduce an IEM approach to provide sustainable livelihoods for the people living in the Project Area.

Project Scope

2. The Project consists of the following four Components:

- (a) Component 1: IEM Development and Project Management. This Component will:
- (i) Strengthen the policy, legal and regulatory framework of Ningxia Hui Autonomous Region (NHAR) to enable the implementation of IEM principles, which will include (a) water resource zoning; (b) spatial planning for land and water use according to ecosystem capability; (c) creation and management of the HPCMA; (d) control of pesticide and fertilizer usage to reduce non-point source pollution; (e) water pricing mechanisms to support water trading in NHAR; (f) management of wetlands; (g) revenue sharing arrangements for enterprises operating cultural or tourism sites; (h) community-based tourism; (i) small farmer contractual farming arrangements; and (j) legal recognition of rural farmers associations and water user associations, including contract services.
 - (ii) Provide training and Institutional development through "on the job" training, and study tours, in various areas including wetland conservation, biodiversity conservation, conservation agriculture, land use planning, integrated water resources management and ecotourism. Skills development and vocational training will also be provided.
 - (iii) Support the development of information systems and monitoring by developing the operational capacity of the NHARG IEM information Center and the sharing of information and monitoring data between relevant agencies.
 - (iv) Strengthen project management of the Project by providing the PPMO with additional staff and technical experts in the areas of procurement, finance management, work planning and reporting.

Schedule 1

- (b) Component 2: Land and Water Resource Management. This Component will provide for:
- (i) Preparation of the IWRMP which will assist in developing a water policy and guide water use and investment, and the development and implementation of a spatial planning framework which will assist in defining management zones, environmentally sensitive areas, conservation areas and land use options.
 - (ii) Three CA demonstration sites for small holdings which will provide demonstrations and training to farmers and trainers in IEM techniques including, crop residue mulching, minimum tillage, crop rotations, improved pest and plant nutrients management. Fertilizer management demonstrations will also be provided in order to develop fertilizer management practices.
 - (iii) design and construction of part of the Xixia Canal including, 15.1 km of inverted siphon past the Xixia Tombs, 16 km of the main canal, control and monitoring stations, 21.3 km on new secondary canals, 118 km of secondary canals to be lined, and lining of 632 km of laterals and on farm distribution.
- (c) Component 3: Improving Rural Livelihoods. This Component will:
- (i) Expand beef, dairy and grape production by (a) expansion and upgrading of beef herds and the construction of a "Halal" certified slaughter house, (b) division of existing dairy herds and the provision of cooperative milking platforms with breeding and technical support (c) conversion to perennial fodder production systems requiring less water and soil disturbance, (d) conversion of up to 670 hectares of flood irrigated land to small contract grown vineyards using water saving irrigation technologies, and (e) the use of biogas, bio-fertilizer and water recycling technology.
 - (ii) Address sustainable land management through alternative production systems, including perennial crops and reduction of water and agro-chemical use. Training will be provided for up to 3,000 individuals in sustainable land management.
 - (iii) Develop two blocks of land into perennial crops such as jujube and alfalfa together with beef feedlot, contract fodder and sustainable live stock production systems for small holders in poverty affected areas. The Project will also develop a plant propagation business and processing and market distribution services to smallholders. Vocational training will be provided to rural communities to allow them to seek off-farm employment.

Schedule 1

- (d) Component 4: Conservation. This Component will:
- (i) At Lake Shahu, provide for re-vegetation, viewing galleries and platforms, aquaculture activities, tourist accommodation with waste water treatment system and a scientific education center.
 - (ii) At Lake Yuehai, provide for commercial development of aquatic plants, a processing plant for aquatic vegetarian food, ecological rehabilitation, water supply and heating system and re-greening of wetland landscapes.
 - (iii) At Yinchuan, (a) create and manage the HPCMA, (b) provide for fencing and patrolling of certain areas west of the new Xixia Canal to prevent illegal grazing, antiquity collection and poachers, (c) establish an IEM ecological demonstration center to support biodiversity conservation and management of endangered species and impact on tourism, and (d) the preparation and implementation of an integrated tourism management plan across all tourism sites.
 - (iv) At Yinchuan wetlands, (a) preparation and implementation of a management planning and monitoring system which provides for recreation use of the wetlands and sustainable use of water resources (b) rehabilitation of vegetation, (c) upgrading of public awareness program, (d) water quality management investments, including a new water treatment plant, and (e) increase activities of the Mingcui training center to include capacity development of staff of wetland management agencies.
 - (v) At Yinxi wetlands, implementation of a program for conservation of residual habitats and improve the quality of wetlands including restoration of approximately 8,000 hectares of natural grasslands and protection of linked wetlands on each side of the Xigan Canal with water fowl habitat.

3. The Project is expected to be completed by 31 October 2014.

SCHEDULE 2

Amortization Schedule

(Ningxia Integrated Ecosystem and Agricultural Development 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.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 Sep 2013	0.827816
15 Mar 2014	0.869207
15 Sep 2014	0.912667
15 Mar 2015	0.958301
15 Sep 2015	1.006216
15 Mar 2016	1.056526
15 Sep 2016	1.109353
15 Mar 2017	1.164820
15 Sep 2017	1.223061
15 Mar 2018	1.284214
15 Sep 2018	1.348425
15 Mar 2019	1.415846
15 Sep 2019	1.486639
15 Mar 2020	1.560971
15 Sep 2020	1.639019
15 Mar 2021	1.720970
15 Sep 2021	1.807019
15 Mar 2022	1.897369
15 Sep 2022	1.992238
15 Mar 2023	2.091850
15 Sep 2023	2.196442
15 Mar 2024	2.306264
15 Sep 2024	2.421578
15 Mar 2025	2.542657
15 Sep 2025	2.669789
15 Mar 2026	2.803279
15 Sep 2026	2.943443
15 Mar 2027	3.090615

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 Sep 2027	3.245146
15 Mar 2028	3.407403
15 Sep 2028	3.577773
15 Mar 2029	3.756662
15 Sep 2029	3.944495
15 Mar 2030	4.141720
15 Sep 2030	4.348806
15 Mar 2031	4.566246
15 Sep 2031	4.794558
15 Mar 2032	5.034286
15 Sep 2032	5.286000
15 Mar 2033	5.550311
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

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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 3

Allocation and Withdrawal of Loan Proceeds and GEF Grant

General

1. The tables attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and the GEF Grant and the allocation of amounts of the Loan and the GEF Grant to each such Category (hereinafter called the Tables). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Tables and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB and GEF Grant Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Tables shall be financed out of the proceeds of the Loan and the GEF Grant respectively, on the basis of the percentages set forth in the relevant Table.

Interest and Commitment Charges

3. The amount allocated to Category 5 of the Table set out as Attachment 1 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 and the GEF Grant proceeds and the withdrawal percentages set forth in the Tables,

(a) if the amount of the Loan or the GEF Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan or the GEF Grant 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 or the GEF Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds and the GEF Grant for financing Goods, Works and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Accounts: Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause NHARG to establish immediately after the Effective Date, two imprest accounts, one for the Loan and the other for the GEF Grant, at a commercial bank acceptable to ADB. The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be United States dollars. The initial amount to be deposited into each imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount and GEF Grant, respectively.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for the Project and to liquidate advances provided into the imprest accounts, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20 percent of the Loan amount.

Condition of Withdrawals from Loan Account

8. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the ultimate benefit of any Project Implementing Agency until the following conditions have been met: the Borrower shall have certified to ADB that each of the Onlending Agreements include the terms and conditions referred to in Section 3.01(b) and 3.01(c) above, shall have been duly executed and delivered on behalf of each respective party, and shall have become fully effective and binding upon the parties thereto in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Ningxia Integrated Ecosystem and Agricultural Development Project)				
CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing		Percentage of ADB Financing from the Loan Account
		\$ Category	Subcategory	
1	Works	52,793,760		
1A	Establishment of State Farm Viniculture		5,357,000	100 percent of total expenditures*
1B	Other Civil Works		47,436,760	40 percent of total expenditures
2	Goods and Materials	25,708,000		100 percent of total expenditures*
3	Training and Studies	5,613,240		
3A	Implementing Agency Capacity Training		1,746,200	100 per cent of total expenditures*
3B	Building IEM Institutional Arrangements		3,462,620	100 percent of total expenditures*
3C	Land and Water Planning and Management		404,420	100 percent of total expenditures*
4	Consulting Services	389,000		100 percent of total expenditures*
5	Interest and Commitment Charges	10,496,000		100 percent of amounts due
6	Unallocated	5,000,000		
	Total	100,000,000		

* Exclusive of duties and taxes.

TABLE

ALLOCATION AND WITHDRAWAL OF GEF GRANT PROCEEDS (Ningxia Integrated Ecosystem and Agricultural Development Project)				
CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing \$		Percentage of ADB Financing from the Grant Account
		Category	Subcategory	
1	Works	626,000		
1A	Yinchuan Wetlands and Biodiversity Conservation		396,000	100 percent of total expenditures*
1B	Helanshan Nature Reserve		40,000	100 percent of total expenditures*
1C	Yinxi Wetland Vegetation Restoration		190,000	100 percent of total expenditures*
2	Goods	905,000		
2A	Conservation Agricultural Machinery		133,000	100 percent of total expenditures*
2B	Shahu Lake Displays & Education		286,000	100 percent of total expenditures*
2C	Yuehai Lake Monitoring Equipment		162,000	100 percent of total expenditures*
2D	PPMO M&E and Office Equipment		324,000	100 percent of total expenditures*
3	Training/Fellowships	1,790,000		100 percent of total expenditures*
4	Consulting Services	1,002,000		100 percent of total expenditures*
5	Unallocated	222,000		
	Total	4,545,000		

* Exclusive of duties and taxes.

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan and GEF Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
Limited International Bidding
National Competitive Bidding
Shopping
Community Participation
Force Account

The methods of 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.

4. National Competitive Bidding. The Borrower's *Law of Tendering and Bidding of the People's Republic of China* promulgated by Order No. 21 of the President of the People's Republic of China on August 30, 1999, are subject to the following clarifications required for compliance with the Procurement Guidelines:

- i. All invitations to prequalify or to bid shall be advertised in the national press, or official gazette, or a free and open access website in the Borrower's country. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum preparation period of thirty (30) days shall be given. The preparation period shall count (a) from the date of advertisement, or (b) when the documents are available for issue, whichever date is later. The advertisement and the prequalification and bidding documents shall specify the deadline for such submission.

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- ii. Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents, and in the prequalification documents if the bidding is preceded by a prequalification process.
- iii. If bidding is preceded by a prequalification process, all bidders that meet the qualification criteria set out in the prequalification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- iv. All bidders shall be required to provide a performance security in an amount sufficient to protect the Borrower/Project Executing Agency in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such performance security.
- v. Bidders shall be allowed to submit bids by mail or by hand.
- vi. All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- vii. All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- viii. No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower/Project Executing Agency.
- ix. Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (a) to be substantially responsive to the bidding documents and (b) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
- x. Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit ADB, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by ADB.
- xi. Government owned enterprises in the Borrower's country may be permitted to bid if they can establish that they (a) are legally and financially autonomous, (b) operate under commercial law and (c) are not a dependent agency of the Borrower/Project Executing Agency.
- xii. Re-bidding shall not be allowed solely because the number of bids is less than three (3).

5. Community Participation in Procurement. The Borrower may use community participation in procurement for Works contracts for small-scale works in rural areas in accordance with the agreed procedures set out in the Procurement Plan and ADB's procedures (as amended from time to time).

6. Procurement Agent. The Borrower accepts that NHARG may appoint a Procurement Agent to provide advice and assistance to NHARG and the Project Implementation Agencies in complying with the Procurement Guidelines and the Consulting Guidelines. The Borrower shall ensure that selection and appointment of the Procurement Agent by NHARG shall be on terms and conditions acceptable to ADB. The Borrower shall ensure, through NHARG, that the Procurement Agent shall follow all of the requirements of this Schedule and the Procurement Plan.

C. Conditions for Award of Contract

7. The Borrower shall ensure that NHARG or any Project Implementing Agency shall not award any Works contracts financed under the Loan or the GEF Grant unless (i) the RP (if applicable to such Works) has been updated based on final detailed design and such updated RP shall have been submitted to and concurred by ADB and disclosed to affected people in accordance with ADB's *Policy on Involuntary Resettlement* (1995); (ii) all compensation required under the updated RP to be paid to affected people has been so paid; and (iii) all necessary resettlement activities have been conducted.

D. Selection of Consulting Services

8. Quality- and Cost-Based Selection. Except as ADB may otherwise agree or as set out in the Procurement Plan, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

9. The selection and engagement of individual consultants shall be in accordance with ADB's policies and procedures and the Procurement Plan.

E. Industrial or Intellectual Property Rights

10. (a) The Borrower shall ensure that all Goods and Works procured (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 ensure that all contracts 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) of this paragraph.

11. The Borrower shall ensure that all ADB-financed contracts 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.

F. ADB's Review of Procurement Decisions

12. All contracts procured under international competitive bidding and limited international bidding procedures for consulting services, and such other contracts referred to in Part B of the Procurement Plan, shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5**Execution of Project and Operation
of Project Facilities; Financial Matters****A. Project Executing Agency**

1. The Government of Ningxia Hua Autonomous Region (NHARG), through the Office of Foreign Debt Management of the Ningxia Department of Finance (NFD), shall be the Project Executing Agency and have overall responsibility for the Project.

B. Lead Group

2. A Lead Group (LG) has been established by NHARG. The Chairman of the LG will be the Governor of NHARG (or his representative) and will comprise the persons in charge of each of the concerned departments of NHARG including, Finance, Development and Reform Commission, Forestry, Environment Protection Bureau, Agricultural and Animal Husbandry and Water Resources, together with Yinchuan Municipality, Ningxia Agricultural Reclamation Bureau and Ningxia Administrative Bureau. The main responsibilities of the LG shall include (i) approving important policies and principles relating to IEM, (ii) reviewing Project plans and ensure that all activities are in accordance with IEM principles, (iii) referring technical plans and sector plans to sector experts for review, (iv) approving final Project work plans, enable coordination and improve inter-agency communications, and (v) providing leadership and guidance to the IEM spatial planning programs. The LG will meet each quarter year and such other times as may be necessary.

3. The LG will be supported by the Provincial Project Management Office (PPMO) for the duration of the Project which will provide secretariat services to the LG.

C. PPMO

4. NFD has established the PPMO which will have dual role of project managing the Project and providing necessary support to the LG. NHARG shall ensure that the PPMO will be adequately staffed with full time qualified and experienced personnel to properly carry out the tasks assigned to the PPMO under the Project. The PPMO will be equipped with adequate skill sets and human and other resources, including (i) capacity for project administration including, planning, financial management, project and management, (ii) sector focal points for each of the Project Implementing Agencies, and (iii) a group of technical experts who can review plans, proposals and investments to ensure technical correctness and coordination with the relevant departments and agencies. The PPMO will also direct the research and consultancy services of all International and national consultants.

D. Project Implementing Agencies

5. NFD acting through the PPMO will be responsible for the implementation of Component 1. Each of NFD, NAB, NARB, NWRD and YMG, shall be the Project Implementation Agencies for the remaining three Components, each acting through their respective project Implementation units (PIUs). The Attachment to this Schedule 5 sets out

the responsibility of each PIU in relation to the sub components of each Component of the Project.

E. Counterpart Funding

6. The Borrower shall cause NHARG to ensure that (a) all counterpart financing necessary for the Project shall be provided in a timely manner, and (b) additional counterpart financing be provided in the event of any shortfall of funds or cost overruns in an amount sufficient to ensure that the Project is completed. NHARG shall also allocate and make available for each fiscal year, in a timely manner, sufficient funds from its budget, or shall cause such funds to be so allocated and made available, for the operation and maintenance of Project facilities under each Component and shall ensure that all Project facilities are operated and maintained in accordance with sound administrative and financial practices.

F. Change in Ownership

7. In the event that (a) any change in ownership of the Project Facilities, (b) any sale, transfer or assignment of the shares or assets of any PIU, or (c) any other material organizational change to a Project Implementation Agency or a PIU is anticipated, NHARG shall, and shall cause the concerned Project Implementing Agency to, provide notice to ADB as soon as possible after such change becomes known, and in any event prior to the approval or implementation of such change, whichever is earlier. NHARG shall, and shall cause the concerned Project Implementing Agency to, ensure that such change be carried out in a lawful and transparent manner. However, if such changes would affect any party's ability to perform the Borrower's obligations under the Loan Agreement or the Project Agreement, NHARG shall ensure that no such change will occur without the prior approval of the Borrower and ADB.

G. Project Review

8. In addition to regular monitoring reports, Project performance will be reviewed twice per year, jointly by the Borrower (attendance of the Borrower at its discretion), NHARG and ADB, for the first three years of the Project and once a year thereafter. Such reviews will assess implementation performance and achievement of progress towards Project outcomes and outputs, disbursement progress, identify issues and constraints affecting implementation, and work out a time-bound action plan for their resolution.

9. The Borrower, NHARG and ADB shall undertake a comprehensive midterm review three years after the commencement of Project implementation, which shall include a detailed evaluation of (a) scope of the Project, (b) implementation arrangements, (c) implementation of the environmental management plan, (d) resettlement, (e) achievements of the scheduled targets, (f) progress of the agenda for policy reform and institutional development, and (g) reallocation of the Loan proceeds and change to the disbursement percentages. The results of the midterm review shall be discussed by the Borrower, NHARG, and ADB and if required, appropriate corrective measures shall be formulated to ensure successful Project implementation and achievement of the Project objectives by the Loan Closing Date.

Attachment to Schedule 5**Project Implementation Responsibility**

Component	Project Implementing Agency	Project Implementing Unit
Component 1: Building IEM Capacity and Project Management		
(i) Strengthening the policy, legal and regulatory framework	NFD	PPMO
(ii) Training and capacity building	NFD	PPMO
(iii) Information systems and monitoring	NFD	PPMO
(iv) Project management	NFD	PPMO
Component 2: Land and Water Resource Management		
(i) (a) Integrated water resources management plan (IWRMP)	NWRD	NWRD Planning Office
(i) (b) Spatial planning	NFD	PPMO
(ii) Conservation agriculture (CA) demonstrations	NARB	NARB
(iii) Improved water resource efficiency	NWRD	Ningxia Hydraulic and Water Power Development and Construction Group
Component 3: Improving Rural Livelihoods		
(i) (a) Beef Production	NARB	Helan Mountain Muslim Cattle and Sheep Industry Group Co. Ltd.
(i) (b) Dairy Production	NARB	Pingjipu Dairy Farming Co. Ltd.
(i) (c) Grape Production	NARB	Ningxia Xixia King Wine Industry Co. Ltd.
(ii) Hi-Tech Ecological Agriculture		Ningxia Industrial Development Group
(iii) Yinxi Livelihood Improvements	YMG	Yinxi Conservation Forestry (Shelterbelt) Office
Component 4: Conservation		
(i) Shahu Lake	NARB	Ningxia Shahu Lake Tourist Co. Ltd.
(ii) Yuehai Lake	NARB	Yuehai Lake Tourist Co. Ltd.
(iii) Helanshan Nature Reserve	YMG	Helan Nature Reserve Office of Forest Bureau
(iv) Yinxi Wetlands and set aside	YMG	Yinxi Conservation Forestry (Shelterbelt) Office