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LOAN NUMBER 2838-PRC

LOAN AGREEMENT  
(Ordinary Operations)  
(Jiangsu Yancheng Wetland Protection Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 22 MARCH 2012

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PRC 40685

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 22 March 2012 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 Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by Jiangsu Provincial Government ("JPG"), and for this purpose the Borrower will make available to JPG, the proceeds of the loan provided for herein 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 between ADB and JPG.

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 amount of the credit against the interest payable by the Borrower.

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

(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:

(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) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(b) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(c) “DCG” means the Defang City Government of the Borrower, or any successor thereto;

(d) “DFF” means the Dafeng Forest Farm within Dafeng city in Jiangsu;

(e) “DMNRR” means the Dafeng Milu National Nature Reserve within Dafeng city in Jiangsu;

(f) “EIA” means the consolidated Environmental Impact Assessment report for the Project, including any update thereto, submitted to and approved by ADB, which is based on all national Environmental Impact Assessments for the Project submitted to and approved by MEP;

(g) “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the EIA;

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

(i) “GAP” means the gender action plan for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;

(j) “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;

(k) “HIV/AIDS” means human immunodeficiency virus/acquired immune deficiency syndrome;

(l) “IAs” or “Implementation Agencies” means JEPD for Output 1 and Output 5; JFORB for Output 2; YMG for Output 3; and DCG for Output 4, or any successor thereto acceptable to ADB;

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

(n) “JEPD” means the Jiangsu Environmental Protection Department of the Borrower, or any successor thereto;

(o) “JFORB” means the Jiangsu Forestry Bureau of the Borrower, or any successor thereto;

(p) “Jiangsu” means the Jiangsu province of the Borrower;

(q) “JPG” means the Jiangsu Provincial Government of the Borrower, or any successor thereto;

(r) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(s) “MEP” means the Ministry of Environmental Protection of the Borrower, or any successor thereto;

(t) “Milu” means a species of deer that prefers marshland and grazes on a mixture of grass and water plants and also known as *Elaphurus davidianus*;

(u) “O&M” means operations and maintenance;

(v) “Outputs” means 5 outputs to be implemented under the Project in the Project Area, as provided in paragraph 2 of Schedule 1 to this Loan Agreement;

(w) “PAM” means the Project administration manual for the Project dated 16 November 2011 and agreed between JPG and ADB, as updated from time to time in accordance with the respective administrative procedures of JPG and ADB;

(x) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(y) “Procurement Plan” means the procurement plan for the Project dated 16 November 2011 and agreed between JPG and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(z) “Project Area” means YRBNNR, DMNNR, DFF, and SFF all in Yancheng Wetland area in Jiangsu where the Project outputs will be implemented;

(aa) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means JPG, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(bb) "Project facilities" means equipment to be provided and the facilities to be constructed, upgraded, or rehabilitated under the Project;

(cc) "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by JPG and cleared by ADB;

(dd) "Safeguards Monitoring Report" means each report prepared and submitted by JPG to ADB that describes progress with implementation of and compliance with the EMP and the RP, including any corrective and preventative actions;

(ee) "SFF" means the Sheyang Forest Farm within Tinghu district in Jiangsu;

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

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

(hh) "Yancheng" means the Yancheng municipality in Jiangsu;

(ii) "YMG" means the Yancheng Municipal Government of the Borrower, or any successor thereto; and

(jj) "YRBNNR" means the Yancheng Rare Birds National Nature Reserve within Yancheng municipality in Jiangsu.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of thirty six million nine hundred thousand Dollars (\$36,900,000), 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 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 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 0.20% 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 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 January and 15 July 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 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**

#### **Use of Proceeds of the Loan**

Section 3.01. (a) The Borrower shall make the proceeds of the Loan available to JPG upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms of the proceeds of the Loan made available to JPG shall include: (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) the repayment period including the grace period identical to those applied to the Loan; and (iii) JPG bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall cause JPG to ensure that the proceeds of the Loan are made available to YRBNNR, DMNNR, SFF, and DFF, through IAs upon terms and conditions acceptable to ADB and more specifically described in the Project Agreement for the implementation of the Project.

(c) The Borrower shall cause JPG and IAs to apply the proceeds of the Loan 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 proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall 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 4 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.

Section 3.04. 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 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2017 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 JPG to ensure that the Project is 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 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 Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, 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, upon reasonable request by ADB, enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable JPG and IAs to perform their obligations under the Project Agreement and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. The Borrower shall cause JPG and IAs to exercise their rights in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this 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 1125.

For ADB

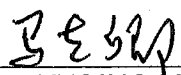
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-6974.

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  \_\_\_\_\_  
KEQING MA  
Authorized Representative

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_  
KLAUS GERHÆUSSER  
Director General  
East Asia Department

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to increase the capacity of the Borrower to manage and protect the wetland ecosystems in the Project Area.
2. The Project shall comprise:
  - a. **Output 1: Wetlands Protection at YRBNNR**, including (i) restoration of about 540 hectare (ha) of degraded wetland in the experimental zone; (ii) rehydration of about 1,630 ha of dehydrated wetland in the core zone; (iii) conversion of about 1,435 ha of fish ponds into wetlands; (iv) pilot control of the spread of invasive species, particularly about 400 ha of *Spartina alterniflora*; (v) construction of wetland protection infrastructure including patrol roads and stations, and waste management facilities; (vi) establishment of a rescue, breeding, and disease control center; (vii) establishment of a wetland and biodiversity research laboratory and monitoring sites; and (viii) establishment of a public education center and a community co-management center.
  - b. **Output 2: Wetlands Protection at DMNNR**, including (i) creation of about 24.7 ha of drinking water surface for Milu deer's drinking water supply; (ii) establishment of about 45 ha of grazing and resting ground, about 220 ha of fodder ground, including implementation of about 50 ha of rotational closure of grazing ground for Milu deer's food supply and resting ground; (iii) implementation of about 426.4 ha of tick control, rehabilitation of about 24 kilometer (km) of steel biological fences, improvement of about 18.5 km of patrol roads, and establishment of a patrol station; (iv) establishment of a Milu deer's research lab and habitat surveillance system; and (v) construction of the education center and the audio-video center.
  - c. **Output 3: Coastal Forest Improvement at SFF**, including (i) rehabilitation of about 185 ha of forest bird habitat; (ii) establishment of seedling nurseries, including approximately 285.2 ha of Chinese fir and evergreen tree, floral plant, and foliage-leaf nurseries; (iii) establishment of about 83.5 ha of agroforestry demonstration; (iv) rehabilitation of about 51.4 km of drainage canals; (v) establishment of a forest fire early warning and response system; and (vi) establishment of an integrated pest management (IPM) system.
  - d. **Output 4: Coastal Forest Improvement at DFF**, including (i) improvement of about 860 ha of coastal wetland protection forest; (ii) restoration and/or rehabilitation of about 122.7 ha of coastal wetland; (iii) improvement of about 174 km of drainage canals; (iv) rehabilitation of about 20.9 km of fire roads, and establishment of a

fire prevention and response system; and (v) establishment of an IPM system.

- e. **Output 5: Project Management and Capacity Development**, including (i) establishment of provincial-, municipal-, and county-level Project management offices; (ii) establishment of the Project implementation units at YRBNNR, DMNNR, SFF, and DFF; (iii) provision of assistance to JPG on formulation of a policy framework on eco-compensation; and (iv) training of about 100 staff of Project management and implementation offices by 2013, with at least 30% representation of women. This output will ensure provision of at least 30% of construction labor and 50% of operational jobs to women.

3. The Project includes consulting services to support Project implementation and capacity development.

4. The Project is expected to be completed by 30 June 2017.

**SCHEDULE 2****Amortization Schedule****(Jiangsu Yancheng Wetland Protection 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>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 January 2017	2.500000
15 July 2017	2.500000
15 January 2018	2.500000
15 July 2018	2.500000
15 January 2019	2.500000
15 July 2019	2.500000
15 January 2020	2.500000
15 July 2020	2.500000
15 January 2021	2.500000
15 July 2021	2.500000
15 January 2022	2.500000
15 July 2022	2.500000
15 January 2023	2.500000
15 July 2023	2.500000
15 January 2024	2.500000
15 July 2024	2.500000
15 January 2025	2.500000
15 July 2025	2.500000
15 January 2026	2.500000
15 July 2026	2.500000
15 January 2027	2.500000
15 July 2027	2.500000
15 January 2028	2.500000
15 July 2028	2.500000
15 January 2029	2.500000
15 July 2029	2.500000
15 January 2030	2.500000
15 July 2030	2.500000

15 January 2031	2.500000
15 July 2031	2.500000
15 January 2032	2.500000
15 July 2032	2.500000
15 January 2033	2.500000
15 July 2033	2.500000
15 January 2034	2.500000
15 July 2034	2.500000
15 January 2035	2.500000
15 July 2035	2.500000
15 January 2036	2.500000
15 July 2036	2.500000
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 2 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 3

#### 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).

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

##### Reallocation

3. 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

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

##### Imprest Account and Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall, through JPG, cause the Jiangsu Finance Department to establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be the Dollar. The ceiling for the imprest account shall not exceed the lower of (i) the estimated expenditure for the first 6 months of the Project implementation; or (ii) the equivalent of 10% of the Loan amount.



(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of \$200,000.

#### Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible 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 procurement of Works and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Jiangsu Yancheng Wetland Protection Project)</b>				
<b>Category</b>				<b>ADB Financing</b>
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>		<b>Percentage and Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Works	29,990,000		
1A	Wetlands Protection at YRBNNR		19,100,000	53% of total expenditure claimed
1B	Wetlands Protection at DMNNR		470,000	19% of total expenditure claimed
1C	Coastal Forest Improvement at SFF		6,900,000	74% of total expenditure claimed
1D	Coastal Forest Improvement at DFF		3,520,000	74% of total expenditure claimed
2	Goods	6,360,000		
2A	Wetlands Protection at YRBNNR		3,560,000	73% of total expenditure claimed
2B	Wetlands Protection at DMNNR		2,480,000	100% of total expenditure claimed*
2C	Coastal Forest Improvement at DFF		320,000	65% of total expenditure claimed
3	Capacity Development	550,000		100% of total expenditure claimed*
<b>Total</b>		<b>36,900,000</b>		

\* Exclusive of taxes and duties imposed within the territory of the Borrower.

## SCHEDULE 4

### 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.

#### 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:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.
4. 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.

#### Domestic Preference

5. 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

6. 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.

#### Conditions for Award of Contract

7. The Borrower shall cause JPG to ensure that any Works contract which involves environmental impacts is not awarded until the relevant provisions from the EMP have been incorporated into the Works contract.
8. The Borrower shall cause JPG to ensure that any Works contract which involves involuntary resettlement impacts is not awarded, until the RP has been updated, if required and submitted to ADB based on the Project's detailed design, and obtained ADB's clearance of such RP.

Consulting Services

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

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.

ADB's Review of Procurement Decisions

12. Contracts procured under international competitive bidding procedures, first contracts under national competitive bidding procedure and contracts for Consulting Services 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; Financial Matters**Implementation Arrangements

1. The Borrower shall, and shall cause JPG 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 JPG and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Zoning Plan for DMNRR

2. The Borrower shall cause JPG and through JPG shall cause JEPD to, ensure that construction of the education center and the audio-video center in the area that is included in the core zone of the DMNRR shall not commence until the said area is excluded from the core zone by way of official approval of Zoning Plan of Jiangsu DMNRR by the Borrower's State Council.

Counterpart Support

3. The Borrower shall cause JPG and through JPG shall cause IAs to, ensure that (a) counterpart funds, necessary for the Project, are provided in time; (b) additional counterpart funding is provided to cover any funding shortfalls that may occur during the Project implementation; and (c) all funds and resources necessary for construction, O&M, and management of the Project are provided on a timely basis.