
LOAN NUMBER 4012-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Inner Mongolia Sustainable Cross-Border Development Investment Program – Project 1)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 10 DECEMBER 2020

PRC 51192

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 10 December 2020 between the PEOPLE'S REPUBLIC OF CHINA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 26 August 2020 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Inner Mongolia Sustainable Cross-Border Development Investment Program;

(B) by a periodic financing request dated 26 August 2020, the Borrower has applied to ADB for a loan comprising (a) an investment loan component ("Investment Loan Component"); and (b) a financial intermediation loan component ("FIL Component") for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Investment Loan Component will be carried out by the Government of Inner Mongolia Autonomous Region ("IMARG") and for this purpose the Borrower, through IMARG, will make available to each (a) Baotou Municipal Government ("BMG"); and (b) Erenhot Municipal Government ("EMG") a portion of the proceeds of the loan provided for herein upon terms and conditions acceptable to ADB;

(D) the FIL Component will be carried out by IMARG and for this purpose the Borrower, through IMARG, will make available to the Bank of Inner Mongolia ("BOIM") a portion of the proceeds of the loan provided for herein upon terms and conditions acceptable to ADB; and

(E) 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 Agreements of even date herewith between (a) ADB, IMARG, BMG and EMG for the Investment Loan Component ("Project Agreement"); and (b) ADB, IMARG and BOIM for the FIL Component ("FI Project Agreement");

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("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 2.01(uu) is deleted and the following is substituted therefor:

"Project Agreement" means each of the (i) Project Agreement; and (ii) FI Project Agreement, as each such project agreement, including all schedules thereto, may be amended from time to time;

- (b) The term "Project Executing Agency" appearing in Sections 7.01(a)(i), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by "IMARG, BMG, EMG and BOIM".

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) "CNY" means the Chinese Yuan, the currency of the Borrower;
- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (c) "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (d) "ECZ" means economic cooperation zone;
- (e) "EMP" means an environmental management plan (i) for the Investment Loan Component; and (ii) if applicable, for a Qualified Subproject, including any update thereto, incorporated in the IEE;
- (f) "EMPF" means the ethnic minority planning framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) "ESMS" means an environmental and social management system for the Investment Program, including any update thereto, prepared and submitted by the Borrower, through IMARG, and cleared by ADB;
- (i) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;
- (j) "FAM" means the facility administration manual dated 26 August 2020 and agreed between the Borrower and ADB, as updated from time to

time in accordance with the respective administrative procedures of the Borrower and ADB;

- (k) "FFA" means the framework financing agreement dated 26 August 2020 between ADB and the Borrower with respect to the Facility;
- (l) "FI" means BOIM and such other financial institutions selected by the Borrower to participate in the Project which are acceptable to ADB;
- (m) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (n) "IDA" means the interest differential account to be established as a separate ledger by IMARG, as more fully described in paragraph 19 of Schedule to the FI Project Agreement and the FAM;
- (o) "IEE" means an initial environmental examination (i) for the Investment Loan Component; and (ii) if applicable, for a Qualified Subproject, including any update thereto, prepared and submitted by the Borrower, through IMARG, pursuant to the requirements set forth in the EARF and ESMS, respectively and cleared by ADB;
- (p) "IMAR" means the Inner Mongolia Autonomous Region;
- (q) "Investment Program" means the Inner Mongolia Sustainable Cross-Border Development Investment Program;
- (r) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (s) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (t) "Management Letter" means formal communications from the auditor to the client 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;
- (u) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (v) "PAP" means the poverty alleviation program established by Xiaowei yang, as more fully described in paragraph 20 of Schedule to the Project Agreement;

- (w) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 26 August 2020;
- (x) "PIA" means the project implementation agreement to be entered into between IMARG and Xiaoweiayang, as more fully described in paragraph 20 of Schedule to the Project Agreement;
- (y) "Procurement Plan" means the procurement plan for the Investment Loan Component dated 26 August 2020 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (z) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (aa) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (bb) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means IMARG or any successor thereto acceptable to ADB, which is responsible for carrying out the Project;
- (cc) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;
- (dd) "Project Implementing Agencies" means (i) BMG and EMG for the Investment Loan Component or any successor thereto acceptable to ADB; and (ii) BOIM for the FI Component or any successor thereto acceptable to ADB, which are responsible for the day-to-day implementation of the Project;
- (ee) "Qualified Subborrower" means a subborrower, which satisfies the criteria set out in the FI Project Agreement;
- (ff) "Qualified Subproject" means a specific subproject to be carried out by a Qualified Subborrower;
- (gg) "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (hh) "RP" means a resettlement plan (i) for the Investment Loan Component; and (ii) if applicable, for a Qualified Subproject, including any update thereto, prepared and submitted by the Borrower, through IMARG,

pursuant to the requirements set forth in the RF and ESMS, respectively and cleared by ADB;

- (ii) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower, through IMARG, to ADB (i) that describes progress with implementation of, and compliance with, each EMP and RP; and (ii) on the FI's performance with regard to the ESMS, including any corrective and preventative actions;
- (jj) "SDGAP" means the social development and gender action plan for the Project including any update thereto, prepared by the Borrower, through IMARG, and cleared by ADB;
- (kk) "Services" means Consulting Services and Nonconsulting Services;
- (ll) "SME" means small and medium-sized enterprises;
- (mm) "SPS" means ADB's Safeguard Policy Statement (2009);
- (nn) "Subloan" means a loan made, or proposed to be made, by a FI out of the proceeds of the Loan to a Qualified Subborrower for a Qualified Subproject;
- (oo) "Subsidiary Loan Agreement" mean the agreement between the IMARG and BOIM referred to in Section 3.01(c) of this Loan Agreement;
- (pp) "Xiaowei Yang" means Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technology Company Limited or any successor thereto acceptable to ADB; and
- (qq) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.

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 sixty-six million five hundred twenty-five thousand Euros (€166,525,000), 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 Investment Loan Component has a principal repayment period of 19 years, and a grace period as defined in subsection (d) hereinafter.

(c) The FIL Component has an 18-year bullet repayment.

(d) 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:

- (a) Euribor;
- (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 Regulations; and
- (c) a maturity premium of 0.10% 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 April and 15 October 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(f) 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 IMARG upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to IMARG 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 that applied to the Loan; and (iii) IMARG bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available to it.

(b) The Borrower shall cause IMARG to onlend a portion of the proceeds of the Loan to BMG and EMG for the Investment Loan Component, upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms of onlending such proceeds of the Loan 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 that applied to the Loan; and (iii) BMG and EMG bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available to each of them.

(c) The Borrower shall cause IMARG to onlend a portion of the proceeds of the Loan to BOIM for the FIL Component under the Subsidiary Loan Agreement, upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms of onlending such proceeds of the Loan include (i) a term of 6 years; (ii) interest at the rate identical to that applied to the Loan with an additional margin in the range of 0.0%-2.0%; and (iii) BOIM bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available to each of them.

(d) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement, the Project Agreement and the FI 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 proceeds of the Loan for the FIL Component shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively to the cost of Goods, Works and Services and other items of expenditure required to carry out such Qualified Subprojects.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause IMARG to 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.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works, and Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 September 2027 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall cause IMARG to perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement, the Project Agreement and the FI Project Agreement.

Section 4.02. In addition to the reports and information set forth in Sections 7.01 and 7.04 of the Loan Regulations, the Borrower shall cause IMARG or, through IMARG cause the Project Implementing Agencies to furnish to ADB all such reports and information, as applicable, as ADB shall reasonably request concerning (a) the Project, the Qualified Subborrowers, the Qualified Subprojects and the Subloans; and (b) the administration, operations and financial condition of the Project Implementing Agencies.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, any Qualified Subborrower, any Qualified Subproject, the Goods, Works and Services, and any relevant records and documents.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable IMARG to perform its obligations, or through IMARG, the Project Implementing Agencies to perform their obligations under the relevant 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 IMARG to exercise its rights under the Subsidiary Loan Agreement 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 Subsidiary Loan Agreement 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 this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI**Delegation of Authority**

Section 6.01. The Borrower hereby designates IMARG as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03, 3.04 and 3.06 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by IMARG pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on IMARG under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII**Miscellaneous**

Section 7.01. The Minister of Finance or a Vice 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

Facsimile Number:

(8610) 6855-2483

For ADB

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

Facsimile Numbers:

(632) 8636-2444

(632) 8636-2494.

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  _____
HAN BIN
Authorized Signatory

ASIAN DEVELOPMENT BANK

By  _____
YOLANDA FERNANDEZ LOMMEN
Authorized Signatory

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program and the Project is to improve sustainable economic opportunities and living conditions in areas along the IMAR-Mongolia border.

2. The Project shall comprise the following outputs:

(a) **Output 1: Sustainable infrastructure for cross-border connectivity and health services improved.** This output comprises:

- (i) construction of the inspection area for the PRC-Mongolian Erenhot-Zamyn Uud ECZ;
- (ii) upgradation of the Mandula Port International (Highway) Logistics Park; and
- (iii) upgradation of medical equipment and facilities for the Erenhot International Traditional Chinese and Mongolian Medicine Hospital.

(b) **Output 2: Ecological environment in key border towns improved.** This output comprises:

- (i) ecological restoration for the PRC-Mongolian Erenhot-Zamyn Uud ECZ; and
- (ii) construction of a waste collection and transfer station in the PRC-Mongolian Erenhot-Zamyn Uud ECZ.

(c) **Output 3: Income generation opportunities expanded.** This output comprises:

- (i) loans to SMEs through the FIs; and
- (ii) establishment of a quarantine station in Mandula Port and expansion of sheep breeding bases.

(d) **Output 4: Cross-border cooperation mechanism and institutional capacity strengthened.** This output comprises:

- (i) conducting cross-border policy dialogue workshops;
- (ii) providing training to the private agricultural enterprises, large-scale farmer households, rural cooperatives and poor households to increase their livestock farming technology, animal disease prevention and livestock waste management;

- (iii) providing on-job training to doctors and nurses, customs and inspection staff and other technicians to enhance their service capacity;
- (iv) providing training in safeguards, procurement, financial management and reporting to IMARG, Project Implementing Agencies and project implementing entities to improve their project management capacity under the support from the project implementation consultants; and
- (v) carrying out social surveys to identify the benefits accompanied with the promotion of regional cooperation and integration to local people.

3. The Project is expected to be completed by 31 March 2027.

SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan 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 (Expressed as a %)
15 April 2027	2.363467
15 October 2027	2.363467
15 April 2028	2.363467
15 October 2028	2.363467
15 April 2029	2.363467
15 October 2029	2.363467
15 April 2030	2.363467
15 October 2030	2.363467
15 April 2031	2.363467
15 October 2031	2.363467
15 April 2032	2.363467
15 October 2032	2.363467
15 April 2033	2.363467
15 October 2033	2.363467
15 April 2034	2.363467
15 October 2034	2.363467
15 April 2035	2.363467
15 October 2035	2.363467
15 April 2036	2.363467
15 October 2036	2.363467
15 April 2037	2.363467
15 October 2037	2.363467
15 April 2038	2.363467
15 October 2038	12.551727
15 April 2039	2.363467
15 October 2039	2.363467
15 April 2040	2.363467
15 October 2040	2.363467
15 April 2041	2.363467
15 October 2041	2.363467
15 April 2042	2.363467
15 October 2042	2.363467

Date Payment Due	Installment Share (Expressed as a %)
15 April 2043	2.363467
15 October 2043	2.363467
15 April 2044	2.363467
15 October 2044	2.363467
15 April 2045	2.363467
15 October 2045	2.363461
Total	100.000000

2. For the Investment Loan Component, 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; and
- (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. For the Investment Loan Component, 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).

Basis for Withdrawal from the Loan Account

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

Advance Account

3. Except as ADB may otherwise agree, the Borrower shall cause IMARG to establish, immediately after the Effective Date, an advance account at a commercial bank. The advance 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 advance account shall be used only for the Project. The currency of the advance account shall be the Euro.

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.

Conditions for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the purposes of Xiaowei yang until the PIA, in form and substance acceptable to ADB, shall have been duly executed and delivered on behalf of IMARG and Xiaowei yang, and shall have become legally binding upon such parties in accordance with its terms.

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the purposes of the FIL Component until:

- (a) the Borrower, through IMARG, has caused BOIM to establish the ESMS, in a manner acceptable to ADB; and
- (b) the Subsidiary Loan Agreement, in form and substance acceptable to ADB, shall have been duly executed and delivered on behalf of IMARG and BOIM and shall have become legally binding upon such parties in accordance with its terms.

Retroactive Financing

8. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Investment Loan Component 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% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (€)	Basis for Withdrawal from the Loan Account
1	Works, Goods, Stud Sheep Breeding Program, Poverty Alleviation Program, Capacity Building, Training and Workshops ^a	149,559,000	Up to 100% of total expenditures claimed ^a
2	FIL Component ^c	16,966,000	100% of total expenditures claimed
	TOTAL	166,525,000	

^a Detailed category allocations and disbursement percentages to be used during disbursement are indicated in Table 10 of the FAM or otherwise agreed between the Borrower and ADB.

^b Subject to the condition for withdrawal described in paragraph 6 of Schedule 3 of this Loan Agreement for the purposes of Xiaowei yang.

^c Subject to the conditions for withdrawal described in paragraph 7 of Schedule 3 of this Loan Agreement.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

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

Procurement

2. The Borrower, though IMARG, shall ensure that:
- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Counterpart Support

3. The Borrower shall ensure that IMARG has all counterpart funds required for the smooth and effective implementation of the Project, including any shortfall of funds or cost overruns incurred by EMG and BMG during the implementation of the Investment Loan Component, and that all such funds are released in a timely manner. The Borrower shall further ensure that IMARG has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

4. The Borrower shall ensure that (a) adequate budgetary and other resources are allocated and promptly provided for the operation and maintenance of the Project facilities; and

(b) BOIM makes available all necessary funds and resources to the Qualified Subborrowers for the Qualified Subprojects in a timely manner.