
LOAN NUMBER 3987-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Xiangtan Low-Carbon Transformation Sector Development Program)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 16 December 2020

PRC 52230

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 16 December 2020 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 ("Project");

(B) the Project will be carried out by Xiangtan Municipal Government ("XMG") which will act as the Project Executing Agency, and for this purpose the Borrower will make available, through Hunan Provincial Government ("HPG"), to XMG the proceeds of the loan provided for herein upon terms and conditions acceptable to ADB;

(C) by an agreement of even date herewith between the Borrower and ADB ("Program Loan Agreement"), ADB has agreed to provide a loan from its ordinary capital resources in the amount of fifty million Dollars (\$50,000,000) for the purpose of financing expenditures of the program described in Schedule 1 to the Program Loan Agreement; and

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

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 the Project Agreement of even date herewith between ADB, HPG and XMG, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement.

(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 the term "HPG and XMG".

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 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;
- (b) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (c) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (d) "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;
- (e) "ICT" means the information and communication technologies as described in Schedule 1 to this Loan Agreement;
- (f) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the [Project Executing Agency] and cleared by ADB;
- (g) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (h) "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;
- (i) "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;
- (j) "PAM" means the project administration manual for the Project dated 21 August 2020 and agreed between HPG, XMG and ADB, as updated from time to time in accordance with the respective administrative procedures of HPG, XMG and ADB;
- (k) "Procurement Plan" means the procurement plan for the Project dated 21 August 2020 and agreed between HPG, XMG and ADB, as updated

from time to time in accordance with the Procurement Policy, the Procurement Regulations and other arrangements agreed with ADB;

- (l) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (m) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (n) "Project Executing Agency", for the purpose of, and within the meaning of, the Loan Regulations and in this Loan Agreement and the Project Agreement means XMG or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (o) "Safeguards Monitoring Report" means each report prepared and submitted by XMG to ADB that describes progress with implementation of and compliance with the EMP (as applicable), including any corrective and preventative actions;
- (p) "Services" means Consulting Services and Nonconsulting Services;
- (q) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (r) "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 fifty million Dollars (\$150,000,000), 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 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:

- (a) LIBOR;
- (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 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 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. The Borrower shall make the proceeds of the Loan available, through HPG, to XMG upon terms and conditions acceptable to ADB including: (a) a commitment charge and interest at the rate identical to those applied to the Loan; (b) a repayment period, including a grace period identical to that applied to the Loan and (c) XMG, bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

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, through HPG, cause XMG 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 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2026 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 carrying out the Project and operating the Project facilities, the Borrower shall, through HPG, cause XMG to perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and in the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

Section 4.03. The Borrower shall take all actions which shall be necessary on its part to enable HPG and XMG to perform their respective obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

ARTICLE V

Effectiveness

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

- (a) the Program Loan Agreement shall have been duly executed and delivered on behalf of the Borrower; and
- (b) all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan agreement) shall have been fulfilled.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Program Loan Agreement has been duly authorized, executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 5.03. 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 HPG as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.04 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 HPG 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 HPG 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) 8636-2426.

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 Project is to increase use of low-carbon enabling systems in Xiangtan.
2. The Project shall comprise:
 - (a) low-carbon and resilient infrastructure transformation, demonstrating, among others, (i) mobility infrastructure that is people-centered, public and non-motorized; (ii) sustainable buildings integrated with passive design, clean energy systems and management and flood proof features; and (iii) old community improvement with low-carbon and flood proof measures;
 - (b) installation, upgrading and/or reprogramming of a number of sectoral ICT platforms, and consolidation of such ICT platforms into the smart city ICT platform which will enable information and knowledge platforms for informed decision-making and behavioral changes; and
 - (c) enhancement of capacity building and program management skills for XMG.
3. The Project is expected to be completed by 30 September 2025.

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 % based on 10% annuity)
15 March 2026	0.827816
15 September 2026	0.869207
15 March 2027	0.912667
15 September 2027	0.958301
15 March 2028	1.006216
15 September 2028	1.056526
15 March 2029	1.109353
15 September 2029	1.164820
15 March 2030	1.223061
15 September 2030	1.284214
15 March 2031	1.348425
15 September 2031	1.415846
15 March 2032	1.486639
15 September 2032	1.560971
15 March 2033	1.639019
15 September 2033	1.720970
15 March 2034	1.807019
15 September 2034	1.897369
15 March 2035	1.992238
15 September 2035	2.091850
15 March 2036	2.196442
15 September 2036	2.306264
15 March 2037	2.421578
15 September 2037	2.542657
15 March 2038	2.669789
15 September 2038	2.803279
15 March 2039	2.943443
15 September 2039	3.090615
15 March 2040	3.245146
15 September 2040	3.407403
15 March 2041	3.577773

Date Payment Due	Installment Share (Expressed as a % based on 10% annuity)
15 September 2041	3.756662
15 March 2042	3.944495
15 September 2042	4.141720
15 March 2043	4.348806
15 September 2043	4.566246
15 March 2044	4.794558
15 September 2044	5.034286
15 March 2045	5.286000
15 September 2045	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; 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. 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 (a) 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 (b) 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 HPG, acting through Hunan Department of Finance, 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 Dollar.

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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance 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 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
		Category	
1	Works, Goods and Consulting Services	150,000,000	Up to 100% of total expenditure claimed
	TOTAL	150,000,000	

*Detailed categories, amounts and disbursement percentages to be used during disbursement are in Table 9 (Detailed Allocation and Withdrawal of Loan Proceeds) in the PAM.

SCHEDULE 4

Execution of Project; Procurement and Other Matters

Implementation Arrangements

1. The Borrower shall, through HPG, cause XMG 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 HPG, XMG and ADB. In the event of any discrepancy between the PAM and this Loan Agreement or the Project Agreement, the provisions of this Loan Agreement and the Project Agreement shall prevail.

Procurement

2. The Borrower shall, through HPG, cause XMG to 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, through HPG and XMG, 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 (a) all counterpart funds are made available to HPG, and, through HPG, to XMG in a timely manner; and (b) operation and maintenance of all Project facilities is fully funded. In addition to the foregoing, the Borrower shall, through HPG, ensure that XMG has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.