
LOAN NUMBER 4046-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Hunan Xiangxi Rural Environmental Improvement and Green Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 26 Mar. 2021

PRC 53050

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 26 Mar. 2021 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 Government of Xiangxi Tujia and Miao Autonomous Prefecture ("XPG") or a replacement or successor acceptable to ADB which will act as the Project Executing Agency, and for this purpose the Borrower will make available through the Hunan Provincial Government ("HPG") to XPG the proceeds of the loan provided for herein upon terms and conditions acceptable to ADB;

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

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 XPG, 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 "Hunan Provincial Government and XPG".

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) "EMDP" means the ethnic minority development plan for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;
- (c) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "GAP" means the Gender Action Plan prepared for the Project;
- (f) "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;
- (g) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by XPG and cleared by ADB;
- (h) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (i) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (j) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (k) "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;
- (l) "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;
- (m) "PAM" means the project administration manual for the Project dated 27 October 2020 and agreed between XPG and ADB, as updated from time to time in accordance with the respective administrative procedures of XPG and ADB;

- (n) "Procurement Plan" means the procurement plan for the Project dated 27 October 2020 and agreed between XPG and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations and other arrangements agreed with ADB;
- (o) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (p) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (q) "Project Implementing Agency" means the governments of Jishou City, Baojing County, Fenghuang County, Guzhang County, Huayuan County, Longshan County, Luxi County, and Yongshun County or any successor(s) or additions thereto or replacements therefor that are acceptable to ADB, which is/are responsible for implementing the Project;
- (r) "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by XPG and cleared by ADB;
- (s) "Safeguards Monitoring Report" means each report prepared and submitted by XPG to ADB that describes progress with implementation of and compliance with the EMP, the RP and the EMDP, including any corrective and preventative actions;
- (t) "SDAP" means the Social Development Action Plan prepared for the Project;
- (u) "Services" means Consulting Services and Nonconsulting Services;
- (v) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (w) "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-nine million two hundred thirty-three thousand Euros (€169,233,000), 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 19 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) 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 0.50% 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 June and 15 December 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 through HPG to XPG in each case upon terms and conditions acceptable to ADB including: (i) a commitment charge and interest at the rate identical to those applied to the Loan; (ii) a repayment period, including a grace period identical to that applied to the Loan and (iii) XPG, bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(b) The Borrower, through HPG, 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 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, through HPG, shall cause XPG 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 paragraph 2 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 30 June 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 carrying out the Project and operating the Project facilities, the Borrower, through HPG, shall cause XPG 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 XPG 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. 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 and XPG, or either of them, 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 or XPG 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 and XPG 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) 8636-2534.

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

PEOPLE'S REPUBLIC OF CHINA

By  _____
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 enhance the rural living environment and the value of agricultural and forestry products in Xiangxi Prefecture.
2. The Project shall comprise:
 - (a) **Component 1** - Improve rural waste and sanitation management facilities and services by (a) constructing and operating wastewater management systems, with innovative technologies, innovative approaches and capacity development of technicians for operation and maintenance of the wastewater management systems; (b) constructing and operating garbage transfer stations, providing equipment for garbage collection and capacity development of technicians for operation and maintenance of garbage transfer stations, providing capacity development of rural residents, including women, for garbage classification and recycling, and establishing and operating rural garbage management teams that include teams led by women; and (c) replacing rural households' unsanitary toilets with sanitary ones.
 - (b) **Component 2** - Develop local featured ecological agricultural and forestry products by (a) constructing and operating facilities for development of local featured ecological agricultural and forestry products, including research and development facilities, seedling reserves, seedling nurseries and breeding areas, integrated water and fertilizer management systems, and field weather stations; (b) equipping the facilities ; (c) conducting research on breeding and virus-free technologies for local featured ecological agricultural and forestry products; and (d) providing capacity development of technicians and farmers, including women, on the facilities including on advanced technologies for local-featured ecological agricultural and forestry products.
 - (c) **Component 3** - Add value to local products through value chains and by eco-tourism including by (a) improving value chains for local-featured ecological agricultural and forestry products, including (i) constructing and operating facilities for storage, cold storage, processing, packaging, exhibition, e-commerce, customer service, and logistics, and (ii) providing capacity development of government agency staff, including women, on operation and maintenance of the facilities; and (b) integrating agriculture and forestry with tourism, particularly eco-tourism that features ethnic minorities' products and culture as eco-tourism resources and involves ethnic minorities in tourism and its benefits, including (i) protecting and improving eco-tourism resources such as forests, plant communities, lakes and rivers, houses, family workshops, and festivals of ethnic minorities, (ii) constructing sightseeing footpaths, rest pavilions, public toilets, and parking lots in farmlands and forests, (iii) constructing and operating fruit, vegetable, or tea picking gardens, (iv) constructing and operating ethnic minority history and culture exhibition facilities, sales plazas and

supermarkets for local featured agricultural and forestry products and ethnic minority cultural products, and eco-tourist service stations, (v) publicizing brands of local featured agricultural and forestry products, (vi) providing capacity development, in each case, including to women (A) to farmers on protection of ethnic minority intangible heritage and management of fruit, vegetable, and tea picking gardens, (B) to staff of government agencies, including technicians, on updated technologies for ecotourism resource improvement, tourism service, and (C) to management staff of government agencies, including on ecotourism service skills and integration of agriculture and forestry with eco-tourism.

3. The Project is expected to be completed by 31 December 2026.

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.

Payment Due	Installment Share (Expressed as a %)
15 June 2027	0.928423
15 December 2027	0.974844
15 June 2028	1.023586
15 December 2028	1.074766
15 June 2029	1.128504
15 December 2029	1.184929
15 June 2030	1.244176
15 December 2030	1.306384
15 June 2031	1.371704
15 December 2031	1.440289
15 June 2032	1.512303
15 December 2032	1.587918
15 June 2033	1.667314
15 December 2033	1.750680
15 June 2034	1.838214
15 December 2034	1.930125
15 June 2035	2.026631
15 December 2035	2.127963
15 June 2036	2.234361
15 December 2036	2.346079
15 June 2037	2.463383
15 December 2037	2.586552
15 June 2038	2.715879
15 December 2038	2.851673
15 June 2039	2.994257
15 December 2039	3.143970
15 June 2040	3.301168
15 December 2040	3.466227
15 June 2041	3.639538

Payment Due	Installment Share (Expressed as a %)
15 December 2041	3.821515
15 June 2042	4.012591
15 December 2042	4.213220
15 June 2043	4.423881
15 December 2043	4.645075
15 June 2044	4.877329
15 December 2044	5.121196
15 June 2045	5.377255
15 December 2045	5.646098
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 the Hunan Provincial 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 in the currency of the Loan.

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 Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS		
Item	Total Amount Allocated for ADB Financing €	Basis for Withdrawal from the Loan Account
	Category	
Works, Goods and Services	169,233,000	Up to 100% of total expenditure claimed*
TOTAL	169,233,000	

* Detailed financing percentages to be used during disbursement are set out in Table IV-3B of the project administration manual.

SCHEDULE 4**Execution of Project; Procurement and Other Matters**Implementation Arrangements

1. The Borrower shall, through HPG, 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 the XPG 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, through HPG, 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, through HPG and XPG, 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 (a) all counterpart funds are made available to the Project Executing Agency, and, through the Project Executing Agency, to the Project Implementing Agencies, in a timely manner; and (b) operation and maintenance of all Project facilities is fully funded. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency and the Project Implementing Agencies have sufficient funds to satisfy their liabilities arising from any Works, Goods and/or Services contract and to operate and maintain the Project facilities.