
LOAN NUMBER 4020-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Hunan Miluo River Disaster Risk Management and Comprehensive
Environment Improvement Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 3 February 2021

PRC 53052

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 3 February 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 the Pingjiang County Government ("PCG") which will act as the Project Executing Agency, and for this purpose the Borrower will make available through the Hunan Provincial Government ("HPG") to PCG the proceeds of the loan provided for herein upon terms and conditions acceptable to ADB;

(C) the Borrower has also applied to Kreditanstalt für Wiederaufbau ("KfW") for a loan in an amount of sixty million Euros (€60,000,000) upon the terms and conditions set forth in the loan agreement to be entered into between the Borrower and KfW ("KfW Loan Agreement") for the purpose of financing part of the expenditures under the Project; 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 among ADB, HPG and PCG;

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 among ADB, HPG and PCG, 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 PCG".

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) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between PCG and ADB;
- (e) "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;
- (f) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by PCG and cleared by ADB;
- (g) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (h) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (i) "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;
- (j) "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;
- (k) "PAM" means the project administration manual for the Project dated 23 October 2020 and agreed between PCG and ADB, as updated from time to time in accordance with the respective administrative procedures of PCG and ADB;
- (l) "Procurement Plan" means the procurement plan for the Project dated 23 October 2020 and agreed between PCG and ADB, as updated from time

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

- (m) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (n) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (o) "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 PCG or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (p) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;
- (q) "Project Implementation Units" includes the Livestock, Fisheries and Agricultural Machinery Affairs Center, Bureau of Agriculture and Rural Affairs, Bureau of Ecology and Environment, Bureau of Education, Bureau of Natural Resources, Bureau of Water Resources, Bureau of Forestry and Grassland, Emergency Management Bureau, Housing and Urban-Rural Development Bureau and the Pingjiang County Water Supply Co., Ltd., or any successor(s) thereto or replacement(s) therefor that are acceptable to ADB, which are responsible for the day-to-day implementation of the Project;
- (r) "Project Implementing Agency" means the Pingjiang project management office or any successor thereto or replacement(s) therefor that is acceptable to ADB, which is responsible for implementing the Project;
- (s) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by PCG and cleared by ADB;
- (t) "Safeguards Monitoring Report" means each report prepared and submitted by PCG to ADB that describes progress with implementation of and compliance with the EMP and the RP (as applicable), including any corrective and preventative actions;
- (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 twenty-six million eight hundred eighty-two thousand Euros (€126,882,000), 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 23 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 0.20% 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 May and 15 November 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 PCG 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) PCG 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 shall, through HPG cause PCG 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. 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 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 November 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 through HPG cause PCG to, perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and 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 PCG 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 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) 8636-2534.

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 improve the rural living environment in the Pingjiang County.
2. The Project shall comprise:
 - (a) **Output 1: Water-related disaster risk management strengthened.** This output includes:
 - (i) construction of ecological embankment and/or riverbank reinforcement in approximately 12 towns along Miluo River in Pingjiang County to control flooding events;
 - (ii) establishment of riparian buffers from the edge of riverbank by using nature-based solutions to control water and soil losses;
 - (iii) restoration and protection of Huangjin River National Wetland Park to (A) enhance biodiversity conservation; (B) increase flood storage and water quality purification capacity; and (C) promote environmental education; and
 - (iv) establishment of an integrated smart disaster risk management system for early warning to inform disaster-related decision-making and improved institutional coordination.
 - (b) **Output 2: Accessibility to safe drinking water and sanitation services enhanced.** This output includes upgrading rural toilets in approximately 24 towns.
 - (c) **Output 3: Circular agriculture linked sustainable livestock waste management and eco-farming demonstrated.** This output includes:
 - (i) carrying out livestock waste treatment in livestock farms prior to soil application, to significantly reduce non-point source pollution into waterbody; and
 - (ii) establishment of demonstration farms to pilot eco-farming techniques, including (A) soil conservation; (B) soil testing and fertilizer recommendations (4R principles); (C) organic fertilizer application; (D) integrated pest management; and (E) other climate-resilient farming practices to promote sustainable agricultural development.
 - (d) **Output 4: Green procurement practices piloted and environmental education mainstreamed.** This output includes:
 - (i) piloting green procurement practices;

- (ii) developing green procurement guidelines for selected categories of Goods and Services to promote, implement, and monitor green procurement practices in agriculture/eco-farming and education sectors;
- (iii) mainstreaming environmental education in the local educational system; and
- (iv) improving overall environmental literacy of Pingjiang County residents by engaging students' families and local communities in environmental education and outreach activities.

3. The Project is expected to be completed by 31 May 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.

| <u>- Payment Due</u> | <u>Installment Share</u> (Expressed as a %) |
|----------------------|--|
| 15 May 2028 | 2.173913 |
| 15 November 2028 | 2.173913 |
| 15 May 2029 | 2.173913 |
| 15 November 2029 | 2.173913 |
| 15 May 2030 | 2.173913 |
| 15 November 2030 | 2.173913 |
| 15 May 2031 | 2.173913 |
| 15 November 2031 | 2.173913 |
| 15 May 2032 | 2.173913 |
| 15 November 2032 | 2.173913 |
| 15 May 2033 | 2.173913 |
| 15 November 2033 | 2.173913 |
| 15 May 2034 | 2.173913 |
| 15 November 2034 | 2.173913 |
| 15 May 2035 | 2.173913 |
| 15 November 2035 | 2.173913 |
| 15 May 2036 | 2.173913 |
| 15 November 2036 | 2.173913 |
| 15 May 2037 | 2.173913 |
| 15 November 2037 | 2.173913 |
| 15 May 2038 | 2.173913 |
| 15 November 2038 | 2.173913 |
| 15 May 2039 | 2.173913 |
| 15 November 2039 | 2.173913 |
| 15 May 2040 | 2.173913 |
| 15 November 2040 | 2.173913 |
| 15 May 2041 | 2.173913 |
| 15 November 2041 | 2.173913 |
| 15 May 2042 | 2.173913 |
| 15 November 2042 | 2.173913 |
| 15 May 2043 | 2.173913 |
| 15 November 2043 | 2.173913 |
| 15 May 2044 | 2.173913 |

| <u>Payment Due</u> | <u>Installment Share</u> (Expressed as a %) |
|--------------------|--|
| 15 November 2044 | 2.173913 |
| 15 May 2045 | 2.173913 |
| 15 November 2045 | 2.173913 |
| 15 May 2046 | 2.173913 |
| 15 November 2046 | 2.173913 |
| 15 May 2047 | 2.173913 |
| 15 November 2047 | 2.173913 |
| 15 May 2048 | 2.173913 |
| 15 November 2048 | 2.173913 |
| 15 May 2049 | 2.173913 |
| 15 November 2049 | 2.173913 |
| 15 May 2050 | 2.173913 |
| 15 November 2050 | 2.173915 |
| 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 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 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 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, Services, trainings and workshops | 126,882,000 | 100% of total expenditure claimed |
| | TOTAL | 126,882,000 | |

SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

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

Procurement

2. The Borrower, through HPG, shall cause PCG 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, through HPG and PCG, 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 PCG and the Project Implementing Agency have all counterpart funds required for the smooth and effective implementation of the Project, including any shortfall of funds or cost overruns incurred during the implementation of the Project, and that all such funds are released in a timely manner.

4. In addition to the foregoing, the Borrower shall ensure that PCG and the Project Implementing Agency have sufficient funds to satisfy their liabilities arising from any Works, Goods and/or Services contract. The Borrower shall also ensure that PCG timely allocates and promptly provides adequate budgetary and other resources necessary for the operation and maintenance of the Project facilities.