Loan Agreement

(Guangxi Poverty Reduction Program for Results)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of four hundred million Dollars ($400,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Variable Spread; or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are May 1 and November 1 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

2.08 (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess
Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall cause the Program to be carried out by the Program Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Program Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its Minister of Finance.

5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:
Ministry of Finance  
Sanlihe  
Xicheng District  
Beijing 100820  
People’s Republic of China; and  

(b) the Borrower’s Electronic Address is:  

Facsimile:  

(86-10) 6855-2077  

5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank’s address is:  

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and  

(b) the Bank’s Electronic Address is:  

Facsimile:  

1-202-477-6391
AGREED as of the Signature Date.

PEOPLE'S REPUBLIC OF CHINA

By

Authorized Representative

Name: Wang Zhengjing
Title: Deputy Director-General, International Economic and Financial Cooperation Department
Date: Ministry of Finance, September 17, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Bart Hofman
Title: Country Director, China
Date: September 17, 2018
SCHEDULE 1

Program Description

The objective of the Program is to enhance the impact and efficiency of the Guangxi Consolidated Poverty Reduction Program in the Targeted Counties.

The Program consists of the following activities:

A. Improved Income Generation for Rural Poor

1. Agricultural Industrialization. Supporting the development of Poverty Reduction Leading Enterprises and Pro-poor Farmer Professional Cooperatives, and enhancing the associated institutional mechanisms through poverty reduction accreditation mechanisms for enterprises, and improved operational and governance standards and poverty targeting for farmer cooperatives.

2. Skills Training. Scaling up farmers’ participation and accreditation under the New Professional Farmers Development Program.

B. Improved Infrastructure for Rural Poor

1. Drinking Water Supply. Supporting the upgrading and renovation of village-level drinking water supply infrastructure.

2. Rural Roads. Supporting connectivity of natural villages, through, inter alia: (i) rehabilitation and/or upgrading of natural village roads equal or below Class IV; (ii) rehabilitation of damaged bridges; and (iii) embedding road safety facilities for village roads.

3. Infrastructure Project Preparation. Strengthening Guangxi’s infrastructure project management capacity.

C. Cross-cutting Issues for Enhanced Program Implementation

1. Program Budget Planning, Execution and Monitoring. Supporting the introduction of capacity building for program-based budgeting for the Consolidated Poverty Reduction Funds (“CPRF”).

2. Poverty Monitoring and Evaluation Systems. Enhancing the monitoring and evaluation of poverty reduction activities by supporting the integration of Guangxi’s poverty reduction programs’ data into a new data platform.
Section I. **Implementation Arrangements**

A. **Financing Arrangements**

1. For the purposes of carrying out of the Program, the Borrower shall make available the proceeds of the Loan to the Program Implementing Entity, under terms and conditions acceptable to the Bank, including the following principal terms:

   (a) The principal amount shall be made available in Dollars or any other Currency as the Loan may be converted from time to time through a Currency Conversion of the value of the currency or currencies so withdrawn (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account).

   (b) The principal amount so made available (including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement) shall be recovered over a period of twenty six (26) years, inclusive of a grace period of six (6) years.

   (c) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement.

   (d) A Commitment Charge shall be charged equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2. The Borrower shall cause the Program Implementing Entity to: (a) manage, operate, monitor, transfer and reconcile the proceeds of the Loan made available to it pursuant to paragraph 1 above in accordance with arrangements and procedures acceptable to the Bank; (b) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said Loan proceeds and the implementation of the Program and, to enable the Program Implementing Entity to comply with its undertakings under the Program Agreement; and (c) maintain all relevant records and documents related to the Loan and the Program and provide promptly such documents and records, including all other information related to the Loan and the Program, as may be requested by the Borrower or the Bank from time to time.
B. Program Action Plan

The Borrower shall take, and shall cause the Program Implementing Entity to take, all measures necessary to comply with, or all measures necessary to enable the Program Implementing Entity to comply with the provisions of Section I.B.2 of the Schedule to the Program Agreement.

Section II. Excluded Activities

The Borrower shall ensure that the Program excludes any activities which:

A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost $115 million equivalent or more per contract; (2) goods, estimated to cost $75 million equivalent or more per contract; (3) non-consulting services, estimated to cost $75 million equivalent or more per contract; or (4) consulting services, estimated to cost $30 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

The Borrower shall cause the Program Implementing Entity to furnish to the Bank each Program Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

Section IV. Withdrawal of Loan Proceeds

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) pay the Front-end Fee; (b) interest and Commitment Charge; (c) pay each Interest Rate Cap or Interest Rate Collar premium; and (d) finance Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Program Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results and the Formula for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula (as applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: Number of enterprises accredited as Poverty Reduction Leading Enterprises</td>
<td>DLR #1: 100 enterprises accredited as Poverty Reduction Leading Enterprises</td>
<td>100,000,000</td>
<td>DLR #1: $1,000,000 per each enterprise accredited as Poverty Reduction Leading Enterprise</td>
</tr>
<tr>
<td>(2) DLI #2: Number of Pro-poor Farmer Professional Cooperatives meeting the Operational Standards</td>
<td>DLR #2: 500 Pro-poor Farmer Professional Cooperatives meeting the Operational Standards</td>
<td>80,000,000</td>
<td>DLR #2: $160,000 per each Pro-poor Farmer Professional Cooperative meeting the Operational Standards</td>
</tr>
<tr>
<td>(3) DLI #3: Value of annual purchases of agricultural products by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives in the Targeted Counties</td>
<td>DLR #3: RMB2 billion in total value of sum of annual purchases by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives</td>
<td>40,000,000</td>
<td>DLR #3: $20,000 per each RMB1,000,000 in annual purchases of agricultural products from farmers and farmer cooperatives by Poverty Reduction Leading Enterprises</td>
</tr>
<tr>
<td>(4) DLI #4: Number of farmers completing the New Professional Farmer Development Training Program</td>
<td>DLR #4: 40,000 farmers completing the New Professional Farmer Development Training Program</td>
<td>40,000,000</td>
<td>DLR #4: $1,000 per each farmer completing the New Professional Farmer Development Training Program</td>
</tr>
<tr>
<td>(5) DLI #5: Number of Registered Poor Persons with New Piped Drinking Water Connections</td>
<td>DLR #5: 210,000 Registered Poor Persons with New Piped Drinking Water Connections</td>
<td>42,000,000</td>
<td>DLR #5: $200 per each Registered Poor Person with a New Piped Drinking Water Connection</td>
</tr>
<tr>
<td>(6) DLI #6: Number of Targeted Counties with an IT-based infrastructure project management system</td>
<td>DLR #6: 28 Targeted Counties</td>
<td>39,900,000</td>
<td>DLR #6: $1,425,000 per each Targeted County with an IT-based infrastructure project management system</td>
</tr>
<tr>
<td>DLI #7: Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports</td>
<td>DLR #7: 28 Targeted Counties in each Year</td>
<td>40,600,000</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>DLI #8: Establishment of poverty data platform for monitoring and evaluation of poverty reduction programs</td>
<td>DLR #8: Guangxi has established a poverty data platform, which: (a) is accessible and operative for use by authorized staff at regional, municipal and county level; (b) integrates datasets on: (i) Poverty Reduction Leading Enterprises; (ii) Pro-poor Farmer Professional Cooperatives; (iii) farmers trained under the New Professional Farmer Development Training Program, and (iv) Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports; and (c)</td>
<td>14,300,000</td>
<td></td>
</tr>
</tbody>
</table>

Year 1: $500,000 per each Targeted County with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports in Year 1
Year 2: $500,000 per each Targeted County with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports in Year 2
Year 3: $450,000 per each Targeted County with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports in Year 3

Not applicable
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed $20,000,000 may be made on the basis of DLRs under Categories (4) through (7) achieved prior to this date but on or after January 1, 2018; or

(b) for any DLR under Categories (1) through (8), including those DLRs referred to in sub-paragraph (a) above, until and unless the Program Implementing Entity has furnished evidence in accordance with the provisions of the Verification Protocol and acceptable to the Bank showing that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1 (b) of this Section, the Borrower may withdraw an amount not to exceed $100,000,000 as an advance under any of the
Categories (1) through (8); provided, however, that if the DLRs in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the Formula) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.1(b) of this Section, the amount of the Loan to be withdrawn upon the verified achievement of any DLR under Categories (1) through (7) by the end of each Year, shall be calculated, in accordance with the Formula.

4. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs has not been achieved by the date by which the said DLR is set to be achieved, the Bank may, by notice to the Borrower: (a) only with respect to DLRs under Categories (1) through (7), authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Formula; (b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

5. The Closing Date is December 31, 2021.

6. For purposes of, inter alia, Section 2.03 and 7.04 of the General Conditions, the term “Program Expenditures” means those expenditures incurred by Guangxi and the Targeted Counties under the CPRF and the expenditures financed out of the Loan proceeds, but excluding any expenditures associated with the Excluded Activities.
SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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”).

**Level Principal Repayments**

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1</td>
<td></td>
</tr>
<tr>
<td>Beginning November 1, 2024 through May 1, 2044</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. "Accreditation and Management Work Plan" means the Working and Implementation Plan for the Accreditation and Management of Poverty Reduction Leading Enterprises in Guangxi (or as such plan may be otherwise titled) to be adopted by Guangxi, acceptable to the Bank, setting forth criteria, procedures and institutional arrangements for the accreditation and management of the Poverty Reduction Leading Enterprises.

2. "Annual Program-based Budgeting Plans" means each of the rolling plans setting forth the values of budgets, planned sources of funds, planned expenditures of sub-programs for the CPRF for the fiscal year of Guangxi to be prepared or updated by each of the Targeted Counties on an annual basis.

3. "Annual Program-based Expenditure Reports" means each of the reports setting forth values of overall fund utilization, actual expenditures of sub-programs incurred and payment progress thereof, if any, per sub-programs for the CPRF, covering the period from the beginning of each fiscal year of Guangxi, to be prepared or updated by each of the Targeted Counties on an annual basis.


5. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

6. "Class IV" means the level of road classification corresponding to two-lane highways (or single-lane highways if low traffic volume) used for mixed traffic of automobiles and non-automobiles.

7. "Consolidated Poverty Reduction Funds" or "CPRF" means Guangxi’s dedicated funds from national, regional, municipal and county resources for poverty reduction activities under the Guangxi CPRP, as further determined in accordance with Guo Ban Fa (2016) circular 22 issued by the Borrower’s General Office of the State Council on April 12, 2016, and Gui Zheng Ban Fa (2016) circular 80 issued by Guangxi on July 15, 2016, as said circulars may be updated or revised from time to time.

8. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the first column of the table in Section IV.A.2 of Schedule 2 to this Agreement.
“Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the second column of the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

“Excluded Activities” means the activities that are referred to in Section II of Schedule 2 to this Agreement and Section II of the Schedule to the Program Agreement.

“Formula” means in respect of each DLR under Categories (1) through (7), the disbursement calculation formula set forth in the fourth column of the table in Section IV.A.2 of Schedule 2 to this Agreement.


“Guangxi” means the Borrower’s Guangxi Zhuang Autonomous Region, or any successor thereto.

“Guangxi Consolidated Poverty Reduction Program” and “Guangxi CPRP” mean the Consolidated Poverty Reduction Program adopted by Guangxi in 2016, designed to achieve the goal of eradicating extreme poverty by 2020 and operated through the mechanism of CPRF.

“New Piped Drinking Water Connections” means: (a) new (or rehabilitated) connections to drinking water supply schemes that supply water to rural households from a single water source to water stands within less than 800 m from the respective rural household; or (b) new (or rehabilitated) connections to drinking water through distribution pipelines in rural residential areas (or natural villages of at least 20 households).

“New Professional Farmers Development Training Program” means the training program managed by Regional Department of Agriculture, in accordance with the guidelines jointly issued by Regional Department of Agriculture and Regional Department of Finance on August 24, 2017, and the training plan adopted by Regional Department of Agriculture on April 24, 2018, as said plan may be updated or revised from time to time, and designed to scale up the program for skilling rural farmers on job opportunities creation and income generation.

“Operational Standards” means a set of standards, acceptable to the Bank, related to a Pro-poor Farmer Professional Cooperative’s registration, membership, financial management, and decision-making arrangements.

19. "Program Action Plan" means the Program Implementing Entity’s plan dated May 18, 2018, and referred to in Section I.B of Schedule 2 to this Agreement and Section I.B.2 of the Schedule to the Program Agreement, as may be amended from time to time with the agreement of the Bank.

20. "Program Coordination Office" means the office established by Regional Poverty Reduction Office and Regional Department of Agriculture, on April 27, 2018, responsible for supporting the implementation and coordination of the Program, or any successor thereto, and referred to in Section I.B.1 (a) (ii) of the Schedule to the Program Agreement.


22. "Pro-poor Farmer Professional Cooperative" means a cooperative, which is duly established under the laws of the Borrower and the Program Implementing Entity, and at least thirty percent (30%) of its members are Registered Poor Households or forty percent (40%) of all Registered Poor Households in each of the covered administrative villages are members of said cooperative.

23. "Quality Standards" means a set of technical standards, acceptable to the Bank, related to data access, preservation, and integration.

24. "Regional Department of Agriculture" means Guangxi’s department of agriculture, or any successor thereto.

25. "Regional Department of Finance" means Guangxi’s department of finance, or any successor thereto.

26. "Regional Poverty Reduction Office" means Guangxi’s office of poverty reduction, or any successor thereto.

27. "Regional Leading Group" means Guangxi’s leading group established on November 4, 2011, comprising a Vice-Chairman of Guangxi as chair and representatives of key line departments, or any successors thereto, and referred to in Section I.B.1 (a) (i) of the Schedule to the Program Agreement.
28. "Registered Poor Household" means the households within the Targeted Counties registered as poor in the Borrower’s National Poverty Registration Database in 2014.

29. "Registered Poor Person" means the persons within the Targeted Counties registered as poor in the Borrower’s National Poverty Registration Database in 2014.

30. "RMB" means renminbi, the lawful currency of the Borrower.

31. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

32. "Targeted Counties" means Guangxi’s counties of Mashan, Shanglin, Rongshui, Sanjiang, Longsheng, Tengxian, Guiping, Bobai, Fuchuan, Debao, Jingxi, Napo, Lingyun, Leye, Tianlin, Longlin, Zhaoping, Tian’e, Fengshan, Donglan, Luocheng, Huanjiang, Bama, Du’an, Dahua, Xincheng, Jinxiu, Tiandeng, or such other counties of Guangxi as agreed with the Bank.

33. "Verification Protocol" means the protocol setting forth the actions and mechanism required for verification of DLIs, agreed with the Bank, dated May 18, 2018, and referred to in Section IV.B.1(b) of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Bank.

34. "Year" means any of Year 1, Year 2 or Year 3.

35. "Year 1" means the year, starting on January 1, 2018, and ending December 31, 2018.

36. "Year 2" means the year, starting on January 1, 2019, and ending December 31, 2019.

37. "Year 3" means the year, starting on January 1, 2020, and ending on the Closing Date.