Loan Agreement

(Shaanxi Sustainable Towns Development Project)

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 eighty-nine million one hundred thousand Euros (€89,100,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.

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 March 1 and September 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 — PROJECT**

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

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

4.01. The Additional Condition of Effectiveness is that the Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

4.02. 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 or a Vice 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: Han Bin
Title: Deputy Director-General
Department of International Economic and Financial Cooperation
Date: Ministry of Finance
January 6, 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Martin Raiser
Title: Country Director, China
Date: January 6, 2020
SCHEDULE 1

Project Description

The objective of the Project is to foster regional collaboration, reduce flood risk, and improve urban services in selected towns in the southern part of Shaanxi.

The Project consists of the following parts:

Part 1: Southern Shaanxi Region (SSR) Collaboration Platform

1.1 Supporting the establishment and operation of the SSR collaboration platform.

1.2 Providing technical and analytic support for policy development, by carrying out studies and analytical work on, inter alia: (a) the long-term vision to coordinate urban expansion and regional competitiveness in SSR; (b) the likely impacts of climate change in SSR; and (c) best practices for town regeneration and resilience strengthening.

1.3 Supporting the establishment of:

(a) a flood risk management system for SSR by, inter alia: (i) providing technical and analytical support for the development of: (A) a region-wide integrated system for flood risk assessment; (B) a monitoring and early warning system; (C) emergency response and contingency plans; (D) a region-wide coordinated flood risk reduction plan; and (E) guidance on flood risk reduction planning and investments at the county level; and (ii) carrying out structural investments, including: (A) installing rain gauge stations and hydrometric stations; (B) constructing a regional emergency management center and sub-centers at county level; (C) constructing a regional warehouse of flood control materials; and (D) upgrading regional meteorological monitoring center; and

(b) a water pollution monitoring system for SSR by, inter alia: (i) developing a GIS based region-wide system of water quality monitoring and real-time emergency reporting for water pollution events; and (ii) installing wastewater discharge monitoring stations at key points along the upstream of the Han River, and setup equipment for pollution events and surveillance and response.

1.4 Supporting the documentation and dissemination of knowledge generated under the Project.

Part 2: Resilience Strengthening

Supporting structural investments for enhanced flood resilience in the Project Counties, including, inter alia: (a) building new and upgrading existing storm and drainage pipelines, constructing new or rehabilitating existing pumping stations and control and sluice facilities, and piloting low impact
sustainable drainage applications in selected urban roads; and (b) constructing emergency shelters and evacuation routes.

**Part 3: Urban Regeneration**

Supporting structural investments for regenerating selected urban areas in the Project Counties, including, *inter alia*: (a) rehabilitating selected neighborhoods by, *inter alia*, upgrading urban utilities services and retrofitting existing underutilized spaces; and (b) improving non-motorized transport by upgrading pedestrian and biking infrastructure.

**Part 4: Project Management**

Strengthening of capacity of the Project Implementing Entity at the provincial and county levels for the coordination and management of Project implementation.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Financing Arrangements

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

   (a) The principal amount shall be made available in Euros 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-four (24) 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 Project 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 Project and, to enable the Project Implementing Entity to comply with its undertakings under the Project Agreement; and (c) maintain all relevant records and documents related to the Loan and the Project and provide promptly such documents and records, including all other information related to the Loan and the Project, as may be requested by the Borrower or the Bank from time to time.

B. Safeguards

The Borrower shall take, and shall cause the Project Implementing Entity to take, all measures necessary to comply with, or all measures necessary to enable the Project Implementing Entity to comply with the provisions of Section 1.C of the Schedule to the Project Agreement.
Section II. Project Monitoring, Reporting and Evaluation

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

Section III. Withdrawal of Loan Proceeds

A. General.

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 finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works for the Project</td>
<td>72,171,000</td>
<td>54%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consulting services, and Training and Workshops for the Project</td>
<td>16,929,000</td>
<td>67%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>89,100,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €8,910,000 may be made for payments made prior to the Signature Date but on or after January 25, 2019, for Eligible Expenditures.

2. The Closing Date is December 31, 2025.
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").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 1 and September 1 Beginning September 1, 2025 through September 1, 2042</td>
<td>2.78%</td>
</tr>
<tr>
<td>On March 1, 2043</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. "Annual Work Plan and Budget" means each of the consolidated annual work plans and budgets for the Project to be prepared or updated by the Provincial Project Management Office, submitted by the Project Implementing Entity, and approved by the Bank, on an annual basis as provided for in Section I.B.1 of the Schedule to the Project Agreement.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.


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

5. "Co-financier" means Kreditanstalt für Wiederaufbau (KfW).

6. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of up to fifty million Dollars ($50,000,000) equivalent to be provided by the Co-financier to assist in financing the Project.

7. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.

8. "County Project Management Office" means the project management office established within each of the Project Counties and to be maintained in accordance with the provisions of Section I.A, paragraph 1(b) (i) of the Schedule to the Project Agreement, and any successors thereto.

9. "Displaced Persons" means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.
10. “Environmental and Social Management Plan” means the Project Implementing Entity’s environmental and social management plan for the Project, acceptable to the Bank, dated December 2018, which sets out the environmental protection measures, including chance finds procedures, measures for the protection of natural habitats, in respect of the Project, as well as administrative, monitoring, supervision and training arrangements to ensure the implementation of said plans, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes all schedules and annexes supplemental thereto.

11. “Han River” means the river of the same name running through the Borrower’s territory.


13. “GIS” means geographic information system.

14. “Municipal Platform Secretariat” means the secretariat to be established and maintained within each of the Project Municipalities in accordance with the provisions of Section I.A, paragraph 2(b) of the Schedule to the Project Agreement, and any successors thereto.

15. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.

16. “Project Counties” means Shaanxi’s counties of Hanbin, Ziyang, Shiquan, Yangxian, Mianxian and Shangnan, or such other county of Shaanxi as may be agreed with the Bank.

17. “Project Municipalities” means Shaanxi’s municipalities of Ankang, Shangluo and Hanzhong, or such other municipality of Shaanxi as may be agreed with the Bank.

18. “Project Operations Manual” means the Project Implementing Entity’s manual dated April 23, 2019, acceptable to the Bank, describing, among other things: (a) the Project objective, Project activities and arrangements, acceptable to the Bank, flow of funds of the proceeds of the Loan and agreed procedures in, inter alia, procurement, financial management and disbursement; (b) the institutional arrangements for the implementation of the Project, and the roles and responsibilities of the entities involved in Project implementation; (c) arrangements acceptable to the Bank for social and environment safeguards screening and mitigation; (d) steps and procedures for Project implementation; and (e) monitoring and evaluation, reporting and information disclosure arrangements, and the indicators and targets for purposes of monitoring and evaluation of the progress of the Project.
19. "Provincial Project Leading Group" means the leading group to be maintained in accordance with the provisions of Section 1.A, paragraph 1(a) (i) of the Schedule to the Project Agreement, and any successors thereto.

20. "Provincial Project Management Office" means the provincial project management office established within Shaanxi's Development and Reform Commission and to be maintained in accordance with the provisions of Section 1.A, paragraph 1(a) (ii) of the Schedule to the Project Agreement, and any successor thereto.

21. "Resettlement Action Plan" and "RAP" mean the Project Implementing Entity's resettlement action plan for the Project, acceptable to the Bank, dated October 2018, setting forth, inter alia: (a) the principles and procedures governing the acquisition of land required for the Project and related facilities; (b) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (c) the criteria and procedures for developing and implementing actions and measures, acceptable to the Bank, for mitigating the adverse social impacts resulting from the implementation of activities in locations that are not directly identified in the RAP; (d) grievance redress mechanisms; and (e) reporting and monitoring arrangements to ensure compliance with said plan, as said plans may be revised from time to time with the prior written agreement of the Bank; and such term includes all attachments and annexes supplemental thereto.


23. "Shaanxi" means the Borrower’s province of the same name, or any successor thereto; and the Project Implementing Entity for purposes of the General Conditions.

24. "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.

25. "SSR" means Southern Shaanxi Region.

26. "SSR Collaboration Platform Office" means the office to be established and maintained within Shaanxi's Development and Reform Commission, in accordance with the provisions of Section 1.A, paragraph 2(a) of the Schedule to the Project Agreement, and any successor thereto.

27. "Training and Workshops" means the costs of training activities under the Project, based on the Annual Work Plans and Budgets approved in advance by the Bank, and attributable to seminars, workshops, and domestic and overseas training and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.