Loan Agreement

(Zhejiang Qiandao Lake and Xin'an River Basin Water Resources and Ecological Environment Protection 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 one hundred fifty million Dollars ($150,000,000), 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 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 — 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 Subsidiary Agreements have been executed on behalf of the Project Implementing Entity, through the respective Project County, and the PIUs, and are binding and enforceable upon the respective parties thereto in accordance with their terms.

4.02. The Effectiveness Deadline is the date one hundred and twenty (120) 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 Zhongjing
Title: Deputy Director General, International Economic and Financial Cooperation Department, Ministry of Finance
Date: August 10, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Bart Hofman
Title: Country Director, China
Date: August 10, 2018
SCHEDULE 1

Project Description

The objective of the Project is to strengthen integrated pollution and watershed management and increase access to improved water supply in selected landscapes in support of Zhejiang’s program for the protection of Qiandao Lake and Xin’an River basin.

The Project consists of the following parts:

Part 1: Landscape Management Improvement

1.1 Supporting the improvement of: (a) soil nutrient management through, *inter alia*: (i) the development and dissemination of basic soil nutrient management plans; and (ii) the use of low impact measures to improve the application and utilization efficiencies of fertilizers; (b) integrated pest management through, *inter alia*: (i) upgrading pest monitoring and early warning systems; and (ii) adopting integrated pest management practices for key cropping systems; and (c) conservation agriculture practices through, *inter alia*, the pilot use of low impact soil tillage and minimum tillage practices.

1.2 Supporting the construction of livestock waste management facilities and the improvement of the collection, transfer and treatment of manure.

1.3 Supporting the improvement of: (a) the ecological environmental functions of selected plantations and lands by replanting/rehabilitating selected degraded and damaged areas; and (b) the forest fire prevention and soil erosion, by, *inter alia*, upgrading forest and fire access roads, strengthening fire monitoring, early warning and control facilities, and telecommunications systems, and carrying out communication campaigns.

1.4 Supporting the piloting of small scale wetland management.

Part 2: Water Resources Management Improvement

2.1 Supporting the expansion of the existing wastewater treatment plant in Shouchang and the associated sewer network.

2.2 Supporting the improvement of selected water courses, through: (a) the rehabilitation of river embankments, the dredging of river channels, and the rehabilitation of existing weirs and construction of new weirs; and (b) the rehabilitation of field access bridges across selected water courses in Jiande.
2.3 Supporting the construction and upgrading of drinking water treatment plants and the associated piped network in selected townships of the Project Counties, and providing training in water supply management.

Part 3: Institutional Capacity Building, Monitoring and Project Management

3.1 Strengthening of administrative and technical capacity at the provincial, county and PIU levels for Project management; and promoting inter-provincial coordination for the Xin’an River basin management.

3.2 Providing analytical and technical support to conduct research programs on selected topics related to Zhejiang’s plans on Xin’an River’s and Qiandao Lake’s water resources and ecological protection, as well as integrated watershed/landscape management.

3.3 Supporting: (a) the establishment of a monitoring and evaluation system for Project implementation, including physical, technical and financial progress, and environmental and social safeguards compliance; and (b) the strengthening of the existing water environment monitoring system.
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 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-five (25) 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 I.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: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; 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 USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, and Training and Workshops for the Project</td>
<td>128,795,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Output-based Incentive Payments for Parts 1.1 and 1.2 of the Project</td>
<td>20,830,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>375,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 4.05 (c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>150,000,000</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 $5,000,000 may be made for payments made prior to this date but on or after March 1, 2018, for Eligible Expenditures.

2. The Closing Date is June 30, 2024.

Section IV. Other Undertakings

Without prejudice to the provisions of Section III above, the withdrawal of Output-based Incentive Payments under Category (2) shall be made upon the submission of evidence acceptable to the Bank verifying the Outputs; and the amount of each Output-based Incentive Payments shall be calculated as the product of the Unit Price per the number of Outputs verified by the respective County Project Management Office; all in accordance with the Project Implementation Plan and the Implementation Agreement.
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>November 1, 2024</td>
<td>1.61%</td>
</tr>
<tr>
<td>May 1, 2025</td>
<td>1.65%</td>
</tr>
<tr>
<td>November 1, 2025</td>
<td>1.69%</td>
</tr>
<tr>
<td>May 1, 2026</td>
<td>1.73%</td>
</tr>
<tr>
<td>November 1, 2026</td>
<td>1.78%</td>
</tr>
<tr>
<td>May 1, 2027</td>
<td>1.82%</td>
</tr>
<tr>
<td>November 1, 2027</td>
<td>1.87%</td>
</tr>
<tr>
<td>May 1, 2028</td>
<td>1.91%</td>
</tr>
<tr>
<td>November 1, 2028</td>
<td>1.96%</td>
</tr>
<tr>
<td>May 1, 2029</td>
<td>2.01%</td>
</tr>
<tr>
<td>November 1, 2029</td>
<td>2.06%</td>
</tr>
<tr>
<td>May 1, 2030</td>
<td>2.11%</td>
</tr>
<tr>
<td>November 1, 2030</td>
<td>2.17%</td>
</tr>
<tr>
<td>May 1, 2031</td>
<td>2.22%</td>
</tr>
<tr>
<td>November 1, 2031</td>
<td>2.27%</td>
</tr>
<tr>
<td>May 1, 2032</td>
<td>2.33%</td>
</tr>
<tr>
<td>November 1, 2032</td>
<td>2.39%</td>
</tr>
<tr>
<td>May 1, 2033</td>
<td>2.45%</td>
</tr>
<tr>
<td>November 1, 2033</td>
<td>2.51%</td>
</tr>
<tr>
<td>May 1, 2034</td>
<td>2.57%</td>
</tr>
<tr>
<td>November 1, 2034</td>
<td>2.64%</td>
</tr>
<tr>
<td>May 1, 2035</td>
<td>2.70%</td>
</tr>
<tr>
<td>November 1, 2035</td>
<td>2.77%</td>
</tr>
<tr>
<td>May 1, 2036</td>
<td>2.84%</td>
</tr>
<tr>
<td>November 1, 2036</td>
<td>2.91%</td>
</tr>
<tr>
<td>May 1, 2037</td>
<td>2.98%</td>
</tr>
<tr>
<td>November 1, 2037</td>
<td>3.06%</td>
</tr>
<tr>
<td>May 1, 2038</td>
<td>3.14%</td>
</tr>
<tr>
<td>November 1, 2038</td>
<td>3.21%</td>
</tr>
<tr>
<td>May 1, 2039</td>
<td>3.29%</td>
</tr>
<tr>
<td>November 1, 2039</td>
<td>3.38%</td>
</tr>
<tr>
<td>May 1, 2040</td>
<td>3.46%</td>
</tr>
<tr>
<td>November 1, 2040</td>
<td>3.55%</td>
</tr>
<tr>
<td>May 1, 2041</td>
<td>3.64%</td>
</tr>
<tr>
<td>Date</td>
<td>Rate</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------</td>
</tr>
<tr>
<td>November 1, 2041</td>
<td>3.73%</td>
</tr>
<tr>
<td>May 1, 2042</td>
<td>3.82%</td>
</tr>
<tr>
<td>November 1, 2042</td>
<td>3.92%</td>
</tr>
<tr>
<td>May 1, 2043</td>
<td>3.85%</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 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. "Chun’an" means Zhejiang’s county of the same name, or any successor thereto.

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

7. "Chun’an Qiandao Lake Construction Group" means the enterprise of the same name established and operating pursuant to the Business License No. 91330127557909086Y, dated January 1, 2010, and any successor thereto.

8. "Dam Safety Plan" means the action plan for the operations and maintenance of the Project Dams dated January 2018, as said plan may be revised from time to time with the prior written agreement of the Bank.

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 January 2018, which sets out the environmental protection measures, including chance finds procedures, measures for the protection of natural habitats and forests, 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.


12. “Implementation Agreement” means each agreement to be entered into between the PIUs and a Project Beneficiary, in accordance with the provisions of Part I.E of Section I of the Schedule to the Project Agreement.

13. “Incremental Operating Costs” means the reasonable costs incurred by the Project Implementing Entity, for purposes of Project management and implementation based on the Annual Work Plans and Budgets approved in advance by the Bank, on account of office rental, supplies and consumables, utilities, bank charges, communications, mass media and printing services, interpretation and translation services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, local transportation, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Borrower’s or the Project Implementing Entity’s civil service.

14. “Jiande” means Zhejiang’s city of the same name, or any successor thereto.

15. “Jiande Xinshui Construction Co. LTD” means the enterprise of the same name established and operating pursuant to the Business License No. 913301827236489949, dated August 18, 2000, and any successor thereto.

16. “Output” means the specific activities under Part 1 of the Project to be carried out by a Project Beneficiary, as set forth in the respective Implementation Agreement.

17. “Output-based Incentive Payments” means the reasonable costs for carrying out an Output.
18. "Pest Management Plans" means the Project Implementing Entity's plans, acceptable to the Bank, dated January 2018, setting out, among other things, the measures to promote and support safe, effective, and environmentally sound pest management under the Project; as said plans 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.


20. "Project Beneficiary" means a village, association, cooperative, or such other entity set forth in the Project Implementation Plan, duly established under the laws of the Borrower and the Project Implementing Entity.

21. "Project Counties" means, collectively, Chun'an and Jiande; and “Project County” means, individually, any of such Project Counties.


23. "Project Implementing Entity" means the Zhejiang Province.

24. "Project Implementing Units" and the acronym “PIUs” mean, collectively, the Chun'an Qiandao Lake Construction Group and the Jiande Xinshui Construction Co. LTD; and “PIU” means, individually, any of such PIUs.

25. "Project Implementation Plan" means the Project Implementing Entity’s plan dated January 20, 2018, 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; (e) procedures for disbursing the Output-based Incentive Payments, and templates for the Implementation Agreements; and (f) 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.

26. "Provincial Project Leading Group" means the leading group established on December 17, 2004, to be maintained in accordance with the provisions of Section I.A, paragraph 1(a) (i) of the Schedule to the Project Agreement, and any successors thereto.
27. "Provincial Project Management Office" means the provincial project management office established within Zhejiang's Provincial Construction Department, on December 17, 2004, to be maintained in accordance with the provisions of Section I.A, paragraph 1(a) (ii) of the Schedule to the Project Agreement, and any successor thereto.

28. "Qiandao Lake" means the lake of the same name located in the western part of Zhejiang.

29. "Resettlement Action Plans" and "RAPs" mean, collectively, the Project Implementing Entity’s resettlement action plans for the Project, acceptable to the Bank, dated February 2018, and any additional RAP prepared by the Project Implementing Entity, acceptable to the Bank, in accordance with the RPF; all 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.

30. "Resettlement Policy Framework" and "RPF" mean the Project Implementing Entity’s resettlement policy framework for the Project, acceptable to the Bank, dated February 2018, which sets out the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of Displaced Persons, and for the preparation of RAPs as may be required for Project activities, as said framework 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.


32. "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.

33. "Shouchang" means the town of the same name in Jiande.
34. "Subsidiary Agreement" means an agreement, referred to in Section I.A.2 of the Schedule to the Project Agreement, between the Project Implementing Entity, through the respective Project County, and the PIU, pursuant to the terms and conditions of the Annex to the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and supplements to said agreement.

35. "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.

36. "Unit Price" means for each Output, the unit price established from time to time by the Bank in consultation with the Project Implementing Entity, and set forth in the Project Implementation Plan and each Implementation Agreement.

37. "Xin'an River" means the river of the same name running through Zhejiang.

38. "Zhejiang Province" or "Zhejiang" means the Borrower's province of the same name, or any successor thereto.