Loan Agreement

(Water Conservation Project II)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 13, 2012
LOAN AGREEMENT

AGREEMENT dated August 13, 2012, 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of eighty million Dollars (US$80,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("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 IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are April 15 and October 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (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, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

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

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall
ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement and the PIP.

ARTICLE IV — TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

The Borrower’s Address is:

Ministry of Finance
Sanlihe
Beijing 100820
People’s Republic of China

Facsimile:

(86-10) 6855-1125

5.03. The Bank’s Address is:

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

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to improve agriculture water management and to increase agricultural water productivity in the Project Areas.

The Project consists of the following parts:

**Part A: Water Works and Water-saving Facilities**

Carrying out of specific investment Sub-projects for the improvement of the physical conditions and delivery efficiency of the irrigation systems in 24 selected Project Counties, including:

(i) the construction of about 4.22 km lining and/or dredging of Xiaoyinhe canal in Hebei’s Daming county and about 17.55 km branch canal lining in Qingtongxia and Weining Irrigation Districts of Ningxia, and lining of about 677.38 km lateral and lower canals;

(ii) a low rubber dam for water regulation in Jiexiu county and a pump station of design discharge of $0.12 \text{ m}^3/\text{s}$ for irrigation in Lishi county in Shanxi;

(iii) main water conveyance pipelines of about 92.82 km for supplying about 36.65 million cubic meters of water annually for irrigation and other uses to a number of townships and villages of Yushe, Jiexiu, Linxian, Lishi and Jiaocheng counties in Shanxi; and

(iv) on-farm works covering about 58,466 ha of irrigated area equipped with water saving works and technologies, such as canal rehabilitation, installation of low-pressure pipes and micro-irrigation.

**Part B: Agricultural Water-Saving Measures and Support Services**

Provision of financial and technical support to reduce non-beneficial evapo-transpiration (ET), increase the resilience of farm community to climate change, and increase farm yield and output value, through activities pertaining to: (i) about 30,020 ha of land leveling; (ii) crop residue utilization in about 24,428 ha; (iii) plastic membrane covering for soil moisture preservation over about 17,580 ha; (iv) balanced fertilizer applications over about 27,468 ha; (v) new seeds verity application in about 7,864 ha; (vi) deep-ploughing farmland in about 14,522 ha; (vii) integrated pest management demonstration
over about 4,817 ha; and (viii) about 6,920 green houses for growing high-value vegetables and fruits.

**Part C: Management Measures and Institutional Development**

Carrying out of programs to improve agricultural water management capacity of irrigation management staff and user communities for the purpose of saving water and increasing water productivity, including: (i) participatory irrigation management through the establishment and/or strengthening of about 259 WUAs; (ii) training of farmers in irrigation management and agricultural technologies for water saving and productivity improvement; (iii) development of water resources management strategic plans in selected counties; (iv) two (2) innovative water resources management pilot schemes; and (v) applied research on salinity control in high groundwater table areas of Ningxia and ET-based water resources management planning in water scarce areas of Shanxi.

**Part D: Project Management and Implementation Support**

Facilitating Project implementation, through: (i) the carrying out of surveys, feasibility study, and design and construction supervision support for all Sub-projects; (ii) provision of provincial and municipal mobile specialist teams for technical and management guidance to local Project staff, and dam safety expert review and advice for Linked Dams in Shanxi; and (iii) provision of Project management support at national, provincial, municipal and county levels, and carrying out of results-based monitoring and evaluation, including the establishment of a management information system.
SCHEDULE 2
Project Execution

Section I. Financing and Implementation Arrangements

A. Financing Arrangements

1. For the purposes of carrying out each Project Implementing Entity's Respective Part of the Project, the Borrower shall make available to each such Project Implementing Entity under terms and conditions satisfactory to the Bank, part of the proceeds of the Loan on the following principal terms:

   (i) 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 (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.

   (ii) The principal amount so made available (including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and any premium for Interest Rate Caps or Interest Rate Collars paid pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions) shall be recovered over a period of thirty (30) years, inclusive of a grace period of five (5) years.

   (iii) 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 2.04 of this Agreement.

2. The Borrower shall cause each of the Project Implementing Entities 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 satisfactory 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 its Respective Part 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 Respective Part of the Project and provide promptly such documents and records, including all other information, as may be requested by the Borrower or the Bank from time to time.

B. Institutional Arrangements

1. The Borrower shall ensure that the Project is carried out through:
(i) at the central level, the MWR, which shall: (a) be responsible for the overall coordination, facilitation and for providing strategic policy guidance and oversight to the implementation of the Project. For this purpose, the MWR shall maintain, until the completion of the Project, a national Project Leading Group (PLG), to be headed by the Director General of the Rural Water Management Department, comprising senior officials from the relevant departments of MWR, and concerned deputy directors-general of the water resources departments of Hebei, Ningxia, and Shanxi; (b) maintain its current Central Project Management Office (CPMO) headed by the Director-General of MWR's Irrigation and Drainage Development Center and comprising officials and specialists of MWR, to be responsible for providing general advice on technical matters and reform pilots to the Provincial Project Management Offices (PPMOs) and County PMOs, coordinating with related MWR departments for national level counterparts funding and among different provinces, organizing operational training and study tours, tracking progress of the Project, consolidating project annual work programs and progress reports, liaising with the national government authorities and the Bank for project related reviews and approvals.

(ii) at the Provincial level: (a) a PLG, in Hebei and Shanxi, and GFDMLG, in Ningxia, chaired by a Vice Governor of the province and comprising leaders from the responsible provincial government departments (Development & Reform, Finance, Water Resources, and Agriculture), to give guidance to the PPMO and municipal PLG in the province on important project-related matters, including, without limitation, Sub-project selection, funding, provincial level reviews and approval, and management reform pilots.

(iii) at the municipal level in Hebei and Shanxi, a PLG, chaired by a senior government official of the municipal government and comprising officials and sectors leaders from the concerned departments of the municipality and county governments to report to the provincial PLG, and to be responsible for guiding Municipal Project Management Office (Municipal PMO) on project related policy matters.

(iv) in each of the 24 selected Project Counties, a PLG, chaired by the respective County Chief or his deputy, and consisting of the leaders from the responsible county government agencies, to be responsible for guiding Project implementation and management at the County level.

(iv) at community Level, the WUAs, which will each directly participate in selection of Sub-projects for rehabilitation, implementation of the on-farm works and agricultural interventions, as well as training on irrigation management and agricultural technologies.
C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

The Borrower shall take, and shall cause the Project Implementing Entities to take, all measures necessary to comply with, or all measures necessary to enable the Project Implementing Entities and the Project Counties to comply with the provisions of Section I.D of the Schedule to the Project Agreement.

E. Safety of Dams

The Borrower shall ensure or cause the Project Implementing Entities to ensure that their Respective Parts of the Project shall be implemented in compliance with the Bank's Operational Policy on Safety of Dams and the Safeguards Instruments, under terms of reference satisfactory to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate, and shall cause the Project Implementing Entities to monitor and evaluate the progress of their Respective Parts of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in Annex of the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar semester, and the Borrower shall consolidate all Project Reports received from the Project Implementing Entities into one single Progress Report that shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project (implementation completion report) and related plan required pursuant to that Section shall be furnished to the Bank not later than three (3) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain, or cause to be maintained, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall cause the Project Implementing Entities to prepare and furnish to the Bank, as part of the Project Report, not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for their Respective Parts of the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall cause the Project Implementing Entities to have their Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Except as the Bank shall otherwise agree, procurement of all goods and services required for the Project and to be financed out of the proceeds of the Loan shall be carried out by a qualified independent procurement agent, engaged by the PPMO.

4. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in
other methods of procurement of goods and works. The following table specifies the methods of procurement, other than international competitive bidding, which may be used for goods and works. The procurement plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
</tbody>
</table>

Except as otherwise provided in sub-paragraphs (b), (c) and (d) below, works costing less than $20,000,000 equivalent per contract and goods costing less than $1,000,000 equivalent per contract may be procured under contracts awarded under National Competitive Bidding procedures. In addition, the procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No.21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Procurement Guidelines:

(i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except works contracts that are estimated to cost more than US$100,000 equivalent but less than US$2,000,000 equivalent each or goods contracts that are estimated to cost less than $300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

(ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.

(iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
(iv) All bidders shall be required to provide security in an amount sufficient to protect the employer in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security. In place of a bid security, the bidding documents may require that a bidder submit with its bid a signed declaration that, if the bidder withdraws its bid during the bid validity period or, if awarded the contract, the bidder fails to sign the contract or submit any required performance security before the deadline required in the bidding documents, the bidder will be suspended for a period of two years from being awarded any contract with the Borrower or Shanxi, Hebei and Ningxia, including any of their departments, agencies or administrative units.

(v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.

(vi) All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

(vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.

(viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or Shanxi, Hebei and Ningxia.

(ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

(x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the
Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

(xii) Re-bidding should not be allowed solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the Bank’s prior written concurrence.

(xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press (as provided in above (a) or official gazette or free and open access websites, and shall identify (a) the name of each bidder who submitted a bid, (b) bid prices as read out at bid opening; (c) the name and evaluated price of each evaluated bid; (d) the name of bidders whose bids were rejected and the reasons for their rejection; and (e) the name and offered prices of the winning bidder as well as the duration and summary scope of the awarded contract.

(xiv) Shanxi, Hebei and Ningxia shall have in place provisions for bidders to protest.

(b) Shopping

(c) Direct Contracting

(d) Community participation in procurement

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality-and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality-and Cost-based
Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(c) Individual Consultants</td>
</tr>
<tr>
<td>(d) Single source selection</td>
</tr>
</tbody>
</table>

3. The short lists of consultants for services estimated to cost less than US$300,000 equivalent may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

D. Review by the Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post review by the Bank.

2. Except as the Bank shall otherwise determine by notice to the Borrower, the terms-of-reference for all consultants' services contracts, regardless of value, shall be subject to Prior Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Amount of the Loan Allocated (in Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(1) Works</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Hebei 15,770,000</td>
<td>66%</td>
</tr>
<tr>
<td>(b) Shanxi 17,745,000</td>
<td>75%</td>
</tr>
<tr>
<td>(c) Ningxia 22,855,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>(2) Goods and equipment</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Hebei 2,490,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Shanxi 10,560,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Ningxia 5,370,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>(3) Consultants Services, Training, Incremental Operating Costs</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Hebei 1,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Shanxi 1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Ningxia 1,470,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>(4) WUA Sub-grant</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Hebei 440,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Shanxi 120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Ningxia 230,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>(5) Front End Fee</strong></td>
<td>200,000</td>
</tr>
<tr>
<td><strong>(6) Interest Rate Cap or Interest Rate Collar premium</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

**TOTAL** 80,000,000

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2017.
SCHEDULE 3

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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15 Beginning October 15, 2017 through April 15, 2042</td>
<td>2%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn 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 the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two (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.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
APPENDIX

Definitions


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


4. "CPMO" means the Central Project Management Office, referred to in paragraph B.1(i)(b) of Schedule 2 to this Agreement.

5. "County PMO" means county level Project Management Office, established by each Project County and to be maintained according to the provisions of paragraph 1(b) of Section I of the Schedule to the Project Agreement.

6. "Dam" means any new dam built under the Project, or any other pre-existing Dams.

7. "Dam Safety Plans" means (a) with respect to Shanxi: (i) the Operation and Maintenance Plan dated July 29, 2010 for Yangpo and Taiping dams, and August 10, 2010 for Wucheng and Yunzh dams; and (ii) the Emergency Preparedness Plan dated August 10, 2010, for Yangpo and Taiping dams, and August 29, 2010, for Wucheng and Yunzu dams; and (b) with respect to Ningxia, the Operation and Maintenance Plan and the Emergency Preparedness Plan dated April 2007, for Qingtongxia Dam, and September 2007, for Shapotou Dam; all setting out measures for safety of all existing linked dams in Shanxi and Ningxia (as hereinafter defined), as the same may be amended or supplemented from time to time with the prior written agreement of the Bank.

8. "Displaced Person" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and "Displaced Persons" means, collectively, all such Displaced Persons.
9. “Environmental Management Plans” or the acronym “EMPs” means collectively, the Environmental Management Plans each dated September 30, 2010, adopted by the Project Implementing Entity for Hebei, Shanxi and Ningxia respectively, which plans set out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, 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 agreements supplemental thereto; and “Environmental Management Plan” means, individually, any of the Environmental Management Plans.

0. “ET” or “Evapo-transpiration” means the sum of evaporation and plant transpiration from the earth’s land surface to the atmosphere.


2. “GFDMLG” means Ningxia’s foreign debt management leading group responsible for the daily management of Ningxia’s foreign debt, with office located within its Finance Department.

3. “Hebei” means the Borrower’s Province of Hebei, or any successor thereto.

4. “Incremental Operating Costs” means the reasonable expenditures directly related to the Project incurred by the CPMO, PPMOs, MPMOs, and County PMOs on account of Project implementation, management, coordination, and monitoring and evaluation, in respect of in-country travel costs, vehicle and equipment leasing, rent, maintenance and repair, office rent and supplies, communications costs, logistics and translation services, production and reproduction of documents required for Project implementation, but excluding the salaries and salary supplements of the Borrower’s civil servants.

5. “Linked Dams” means collectively the Yunzhu dam, the Wucheng dam, the Yangpo dam and the Taiping dam in Shanxi Province, and the Qingtongxia dam and the Shapotou dam in Ningxia Hui Autonomous Region, in each case already existing prior to the Date of this Agreement and all upstream of the Project Areas.

6. “Municipal PMO” or “MPMO” means municipal level Project Management Office, established by each Project Implementing Entity and to be maintained according to the provisions of paragraph A.1(b) of Section I of the Schedule to the Project Agreement.

7. “MWR” means the Borrower’s Ministry of Water Resources, or any successor thereto.
8. “Ningxia” means the Borrower’s Ningxia Hui Autonomous Region, or any successor thereto.

9. “Pest Management Plan” or “PMP” means the plan prepared by each of the Project Implementing Entities and all dated October 11, 2010, which sets out, with respect to the Project, measures for the management of pesticides, as well as administrative and monitoring arrangements to ensure the implementation of said plan, 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 agreements supplemental thereto.


21. “Procurement Plan” means collectively the Borrower’s procurement plan for the Respective Part of the Project in Hebei, Shanxi and Ningxia, each dated March 16, 2012, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Project Agreement” means the agreement among the Bank and the Project Implementing Entities of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

23. “Project Areas” means, in respect of each Project Implementing Entity, the areas within the territory of the Project Implementing Entity, selected by written agreement between the Bank and said Project Implementing Entity, in which the Project is to be carried out; and “Project Area” means any of the Project Areas.

24. “Project Counties” means the counties of Qiuxian, Feixiang, Shexian, Jize, Daming, Quzhou, Linzhang, Guantao, Laoting and Luannan in Hebei province; Qingtongxia, Lingwu, Yongning, Helan, Pingluo, Huinong, Shabotou, Zhongning and the State-farm in Ningxia Province; and Yushe, Jiexiu, Linxian, Lishi and Jiaocheng in Shanxi Province; and “Project County” means any of the Project Counties.

25. “Project Implementing Entities” means the Borrower’s provinces of Hebei and Shanxi, and Ningxia Hui Autonomous Region; and “Project Implementing Entity” means any of the Project Implementing Entities.

26. “Project Implementation Plan” or the acronym “PIP” means the Project Implementation Plan dated March 16, 2012, to be followed during the implementation of the Project, and detailing, inter alia, the institutional and
implementation arrangements, financial management and procurement procedures, implementation schedules, operations and maintenance management schedule, Sub-project selection criteria and guidelines, funds allocation process, and implementation procedures, and the monitoring and evaluation arrangements.

27. “PLG” means any of the Project leading groups referred to in Section I.B.1 of Schedule 2 to this Agreement, and to be maintained throughout Project implementation.

28. “PPMO” means Provincial Project Management Office, established by each of the Project Implementing Entities and to be maintained according to the provisions of paragraph A.1(a) of Section I of the Schedule to the Project Agreement.

29. “Resettlement Action Plans” or the acronym “RAPs” means, collectively, each of the Resettlement Action Plans adopted by the Project Implementing Entity for Hebei, Shanxi and Ningxia respectively, all dated October 11, 2010, which plans set out, inter alia: (a) the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of the Project; and (b) reporting and monitoring arrangements to ensure compliance with said plans, as said RAPs may be revised from time to time with the prior written agreement of the Bank and such term includes all schedules and agreements supplemental thereto; and “Resettlement Action Plan” means, individually, any of the Resettlement Action Plans.

30. “Resettlement Policy Framework” means the Policy Framework for Resettlement and Land Acquisition, dated October 11, 2010, duly adopted by the CPMO, setting forth the policies, planning principles and institutional arrangements designed to improve the living standards and productive capacity of persons affected by the Project, and design criteria in accordance with which resettlement action plans are prepared and submitted to the Bank for approval in accordance with the provisions of paragraph 2, Section I of the Schedule to the Project Agreement; as said Policy Framework may be amended from time to time with the prior written agreement of the Bank; and such term includes all schedules and agreements supplemental thereto.

31. “Respective Part of the Project” means, in respect of each Project Implementing Entity, all the Subprojects to be carried out within the territory of said Project Implementing Entity.

32. “Rural Water Management Department” means the MWR’s Department of rural water management, or any successor thereto.
33. “Safeguards Instruments” means, collectively, the Resettlement Policy Framework, any of the Resettlement Actions Plans, any of the Environmental Management Plans, the Pest Management Plan, the Dam Safety Plans, and such term includes any annexes or schedules to such instruments.

34. “Shanxi” means the Borrower’s Province of Shanxi, or any successor thereto.

35. “Subproject” means a specific investment sub-project to be carried out in a Project Area, under Parts A through C of the Project, and to be financed out of the proceeds of the Loan.

36. “Training” means the costs of training activities under the Project, based on annual work plans and budgets approved by the Bank, and attributable to seminars, workshops, and domestic and overseas 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.

37. “WUAs” means water user associations to be established under Part C of the Project; and “WUA” means any of the WUAs.

38. “WUA Sub-grants” means the non-reimbursable funds associated with establishment and strengthening of water users associations in the Project Areas, including expenditures related to registration fee, training for farmers, office furniture (tables and chairs, file cabinet) supplies, and equipment and other small expenses incurred for operation of WUAs.