Loan Agreement

(Green Energy for Low-Carbon City in Shanghai Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 14, 2013
LOAN AGREEMENT

Agreement, dated June 14, 2013, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS:

(A) the Borrower has requested the Bank to provide assistance towards the financing of the project described in Schedule 1 to this Agreement ("Project"); and

(B) by an agreement of even date herewith between the Borrower and the Bank, acting as an Implementing Agency of the Global Environment Facility (GEF) ("GEF Grant Agreement"), the Bank has agreed to provide such assistance in an amount of four million three hundred and forty five thousand Dollars ($4,345,000) ("Grant") to assist in financing Part 1 of the Project; and

NOW 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 one hundred million Dollars ($100,000,000), 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 Part 2 of the 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 March 1 and September 1 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 un-withdrawn, 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 Part 2 of the Project to be carried out by the Participating Financial Intermediaries 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.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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.

5.02. The Borrower's Address is:

Ministry of Finance
Sanlihe
Beijing 100820
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, China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By

Authorized Representative

Name: Yang Yingqing
Title: Deputy Director-General
International Department
Ministry of Finance

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Klaus Rolland
Title: Country Director, China
SCHEDULE 1

Project Description

The objectives of the Project are to pilot green-energy schemes and scale up low-carbon investments in buildings in Shanghai Municipality, with a focus on Changning District, and the higher-level global environment objective of the Project is to support Shanghai Municipality’s low-carbon city development by promoting green-energy schemes, with a focus on Changning District.

The Project consists of the following parts:

   (a) Green-Energy Buildings
      (i) Provision of technical assistance to and capacity building of Changning District for the green-energy retrofitting of buildings, that is, implementation of energy-efficiency and renewable-energy technologies in existing buildings.
      (ii) Demonstration of at least one (1) near zero-emission building in Changning District.
   (b) Low-Carbon Energy Supply
      Provision of technical assistance to Changning District for the implementation of distributed generation from renewable energy and natural gas and a pilot carbon emissions cap and trade scheme.
   (c) Green Mobility
      Provision of technical assistance to Changning District for the design and development of implementation plans for the improvement of local public transport systems to discourage the use of private vehicles.
   (d) Capacity Building and Project Management Support
      (i) Carrying out of due diligence reviews of Part 2 of the Project, and promotion of low-carbon investments.
      (ii) Capacity building of key stakeholders for the development and implementation of low-carbon initiatives.
      (iii) Project management, implementation, and monitoring and evaluation and donor coordination.
2. **Low-Carbon Investments**

(a) **Green-Energy Retrofitting of Buildings**

Implementation of low-carbon technologies in existing buildings.

(b) **New Green-Energy Buildings**

Implementation of low-carbon technologies above municipal building code requirements in new buildings.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to Shanghai Municipality, and shall cause Shanghai Municipality to make such proceeds available to Changning District, both under terms and conditions approved by the Bank, which shall include the following:

   (a) the principal amount of the Loan made available shall be: (i) denominated and repayable in Dollars; (ii) charged a front-end fee at the rate set forth in Section 2.03 of this Agreement; (iii) charged interest on the principal amount withdrawn and outstanding from time to time at the rate set forth in Section 2.04 of this Agreement; and (iv) repayable over the period set forth in Section 2.06 of this Agreement; and

   (b) Changning District shall make such proceeds available to the Participating Financial Intermediaries under the same terms and conditions.

2. The Borrower shall exercise its rights under the on-lending arrangements referred to in the preceding paragraph in such a manner as to protect its interests and those of the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, such rights.

B. Anti-Corruption

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

C. Operational Manual

1. The Borrower shall:

   (a) cause the Project Implementing Entities to ensure that the Project is carried out in accordance with the provisions of the Operational Manual; and

   (b) except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. In the event of a conflict between the provisions of the Operational Manual and those of this Agreement, the latter shall govern.
D. Safeguards

1. The Borrower shall cause the Project Implementing Entities to ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework and any Environmental Management Plans, and, except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. The Borrower shall cause the Project Implementing Entities to ensure that no land acquisition or Involuntary Resettlement is carried out under the Project.

Section II. Project Monitoring, Reporting, and Evaluation

A. Project Reports

The Borrower shall cause the Participating Financial Intermediaries to monitor and evaluate the progress of their Respective Part of the Project and prepare Project Reports for their Respective Part of the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than sixty (60) days after the end of the period covered by such report.

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 Participating Financial Intermediaries to prepare and furnish to the Bank as part of the Project Report not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for their Respective Part of the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its 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, Works, and Non-consulting Services. All goods, works, and non-consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **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 Section III of the Procurement Guidelines.

B. **Particular Methods of Procurement of Goods, Works, and Non-consulting Services**

*Well-established Private Sector Procurement Methods or Commercial Practices.* Goods, works, and non-consulting services shall be procured under contracts awarded on the basis of Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank, as described in the Operational Manual.

C. **Review by the Bank of Procurement Decisions**

All contracts shall be subject to Post 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>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) Low-Carbon Investment Subproject Loans made by Bank of Shanghai</td>
<td>40,000,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(2) Low-Carbon Investment Subproject Loans made by Shanghai Pudong Development Bank</td>
<td>40,000,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(3) Low-Carbon Investment Subproject Loans made by either or both of the Participating Financial Intermediaries</td>
<td>19,750,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>250,000</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>(5) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>100,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

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

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $20,000,000 equivalent may be made for payments made prior to this date but on or after November 1, 2012 for Eligible Expenditures under Categories (1) and (2), provided that the requirements set forth in Annex B to the Schedule to the Project Agreement have been met;

(b) for payments under Categories (1) and (3), unless a Subsidiary Agreement has been executed on behalf of Changning District and Bank of Shanghai in
accordance with the provisions of Section I.A.1 of the Schedule to the Project Agreement;

(c) for payments under Categories (2) and (3), unless a Subsidiary Agreement has been executed on behalf of Changning District and Shanghai Pudong Development Bank in accordance with the provisions of Section I.A.1 of the Schedule to the Project Agreement; or

(d) for payments under Category (3), unless the allocation of the amount of the Loan to either Category (1) or (2) has been fully disbursed.

2. The Closing Date is December 31, 2018.
SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on March 1, 2025.
APPENDIX

Section I. Definitions


2. “Bank of Shanghai Company Limited” or “Bank of Shanghai” means the Borrower’s partly-owned enterprise established and operating pursuant to the Borrower’s Company Law of 1996 and Bank of Shanghai’s Business Registration No. 310000400138557 and its charter dated June 3, 2010, or a successor thereto.

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

4. “Changning District” means the Borrower’s administrative subdivision of such name under Shanghai Municipality (as hereinafter defined), or a successor thereto.


6. “Environmental and Social Management Framework” means the Project Implementing Entities (as hereinafter defined)’ framework, part of the Operational Manual (as hereinafter defined) agreed with the Bank, setting forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, and guidelines and procedures for the screening of Low-Carbon Investment Subprojects (as hereinafter defined), as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes, appendices, or schedules to such framework.

7. “Environmental Management Plan” means a Low-Carbon Investment Subproject Loan Beneficiary (as hereinafter defined)’s plan, prepared pursuant to the Environmental and Social Management Framework, agreed with the Bank, and setting forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under a Low-Carbon Investment Subproject, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes, appendices, or schedules to such plan.

9. "Involuntary Resettlement" means the following caused on account of Project implementation: (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 the affected person 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 the affected person.

10. "Low-Carbon Investment Subproject" means a specific low-carbon investment activity carried out under Part 2 of the Project, financed or proposed to be financed through a Low-Carbon Investment Subproject Loan (as hereinafter defined) in accordance with the criteria set forth in Part B of Annex B to the Schedule to the Project Agreement and in further detail in the Operational Manual.

11. "Low-Carbon Investment Subproject Loan" means a loan made or proposed to be made to a Low-Carbon Investment Subproject Loan Beneficiary (as hereinafter defined) out of the proceeds of the Loan to finance a Low-Carbon Investment Subproject pursuant to a Low-Carbon Investment Subproject Loan Agreement (as hereinafter defined).

12. "Low-Carbon Investment Subproject Loan Agreement" means an agreement, referred to in Part C of Annex B to the Schedule to the Project Agreement, between either of the Participating Financial Intermediaries and a Low-Carbon Investment Subproject Loan Beneficiary, setting forth the terms and conditions governing a Low-Carbon Investment Subproject Loan.

13. "Low-Carbon Investment Subproject Loan Beneficiary" means an individual or an entity meeting specific criteria set forth in the Operational Manual and which is the beneficiary of a Low-Carbon Investment Subproject Loan and party to a Low-Carbon Investment Subproject Loan Agreement.

14. "Operational Manual" means the Participating Financial Intermediaries (as hereinafter defined) manual, dated September 2012 and agreed with the Bank, setting forth implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of Part 2 of the Project, including criteria, procedures, and terms for Low-Carbon Investment Subprojects, and including the Environmental and Social Management Framework, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such manual.

15. "Participating Financial Intermediaries" means, collectively, Bank of Shanghai and Shanghai Pudong Development Bank (as hereinafter defined).

17. "Project Implementing Entity" means, individually: (i) Changning District; (ii) Bank of Shanghai Company Limited; and (iii) Shanghai Pudong Development Bank Company Limited; and "Project Implementing Entities" means all of said entities.

18. "Project Implementing Entity's Legislation" means: (a) for Changning District, the Borrower's Constitution of 2004; (b) for Bank of Shanghai, the Borrower's Company Law of 1996 and Bank of Shanghai's Business Registration No. 31000400138557 and its charter dated June 3, 2010; (c) for Shanghai Pudong Development Bank, the Borrower's Company Law of 1996 and Shanghai Pudong Development Bank's Business Registration No. 31000000013047 and its charter dated February 12, 2011; and such term includes any other legal instruments governing the organization, reorganization, restructuring, and operations of the Project Implementing Entities as of the date of this Agreement.

19. "Respective Part of the Project" means the following: (i) for Changning District, Part 1 of the Project; and (ii) for the Participating Financial Intermediaries, collectively, Part 2 of the Project.

20. "Shanghai Municipality" means the Borrower's administrative subdivision of such name in the east of its territory, or a successor thereto.


22. "Subsidiary Agreement" means an agreement referred to in Section I.A of the Schedule to the Project Agreement pursuant to which Changning District shall make the proceeds of the Loan available to the Participating Financial Intermediaries.

Section II. Modifications to the General Conditions

The modification to the General Conditions is as follows, namely, that Section 2.05 (a) is modified to read as follows (emphasis added):

“(a) the payment is for the reasonable cost of low-carbon investment subproject loans required for the Project, to be financed out of the proceeds of the Loan and procured, all in accordance with the provisions of the Legal Agreements;”