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Investing in rural people

## **People's Republic of China**

### **Jiangxi Mountainous Areas Agribusiness Promotion Project (JiMAAPP)**

#### **Negotiated financing agreement**

Executive Board — 113<sup>th</sup> Session  
Rome, 15-16 December 2014

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For: **Information**

## **Negotiated financing agreement:**

### **"Jiangxi Mountainous Areas Agribusiness Promotion Project (JiMAAPP)"**

(Negotiations concluded on 27 November 2014)

Loan Number: \_\_\_\_\_

Grant Number: \_\_\_\_\_

Project Title: Jiangxi Mountainous Areas Agribusiness Promotion Project (the "Project")

People's Republic of China (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

#### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Financing to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

#### **Section B**

4. The Financing consists of a Loan in the amount of thirty four million three hundred and fifty thousand euros (EUR 34 350 000) and a Grant in the amount of five hundred and fifty thousand Special Drawing Rights (SDR 550 000).
5. The Loan is granted on ordinary terms and shall have a maturity period of eighteen (18) years including a grace period of five (5) years.
6. The Loan Service Payment Currency shall be EUR.
7. The first day of the applicable Fiscal Year shall be 1 January.
8. Payments of principal and interest shall be payable on each 15 June and 15 December.

9. There shall be one Designated Account denominated in EUR opened and maintained by the Department of Finance (DOF) of the Jiangxi Province in a commercial bank acceptable to the Fund to receive the Loan proceeds (the "Loan Designated Account"). There shall be one Designated Account denominated in United States dollar (USD) maintained by the DOF of the Jiangxi Province in a commercial bank acceptable to the Fund to receive the Grant proceeds (the "Grant Designated Account"). The Designated Accounts shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by IFAD.

10. The Borrower shall provide counterpart financing for the Project and shall cause the Government of the Jiangxi Province and each participating county government to provide counterpart financing for the Project in a total amount equivalent to approximately USD 40.75 million to cover activities such as work, goods, services, equipment, material and recurrent costs for all Project Management Offices (PMOs) and taxes. Project beneficiaries shall provide a contribution in cash or in kind of approximately USD 12.11 million, enterprises and cooperatives shall contribute approximately USD 3.36 million and participating banks shall contribute approximately USD 25.2 million for leveraged credit. The counterpart funds shall be channelled and made available for the Project.

11. Project Accounts shall be maintained by the Provincial Project Management Office (Provincial PMO), Prefecture Project Management Offices (Prefecture PMOs), County Bureaux of Finance (BOFs) and County Project Management Offices (County PMOs) in Chinese Yuan (CNY) in commercial banks acceptable to IFAD, to receive the proceed of the financing and/or counterpart funds.

### **Section C**

12. The Lead Project Agency shall be the provincial Department of Agriculture (DOA) designated by the Government of the Jiangxi Province, acting through the Jiangxi Provincial Rural Social Development Bureau, for the overall coordination and supervision of the Project activities.

13. Additional Project Parties shall include the DOF/BOFs, the Bureaux of Water Resources (BOWRs), the Bureaux of Transportation (BOTs), the Bureaux of Agriculture (BOAs), Bureaux of Livestock (BOLs), the Rural Economic and Cooperative Management Bureaux (RECMBs), Township Project Facilitators (TPFs), Village Implementing Groups (VIGs).

14. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

### **Section D**

15. The Financing shall be administered and the Project supervised by the Fund. In addition to supervision missions, which shall normally be carried out at least once a year, the Fund shall conduct a mid-term review to be carried out towards the third year of the Project.

### **Section E**

16. The following is designated as an additional ground for suspension of this Agreement:

- (a) The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

17. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Provincial PMO, the Prefecture PMOs and at least one County PMO shall have been duly established and composed in accordance with Schedule 1, Section II and the respective key Project staff shall have been selected;
- (b) The Borrower, through the Lead Project Agency, shall have submitted, and the Fund shall have received, an official document confirming the availability of adequate counterpart funds for the first Project Year;
- (c) The Loan Designated Account shall have been duly opened, the Grant Designated Account shall have been maintained separately and the authorized signatories shall have been submitted to the Fund;
- (d) A draft PIM shall have been prepared and has been approved by the Fund; and
- (e) A computerized accounting system acceptable to the Fund shall have been identified and selected by the Provincial PMO.

18. The following is designated as an additional specific condition precedent to withdrawal:

- (a) No withdrawals shall be made in respect of expenditures under Category IV until a draft Participating Bank or Guarantee Agency Subsidiary Agreement referred to in Schedule 1, Section II-B has been approved by the Fund.

19. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Minister for Finance of the People's Republic of China  
Ministry of Finance  
No. 3 Nansanxiang, Sanlihe, Xicheng District  
Beijing 100820  
People's Republic of China

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono, 44  
00142 Rome, Italy

This Agreement, dated [            ], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

PEOPLE'S REPUBLIC OF CHINA

\_\_\_\_\_  
Authorized Representative  
[Title]

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. **Target Population.** The Project target groups shall primarily be the poor rural men and women in the Luoxiao Mountain Block Area, in Jiangxi Province and their cooperatives, and the agro-enterprises that are committed to developing linkages with poor producers. The Project shall be implemented in the following ten counties from three prefectures: JiAn, Suichuan, Jinggangshan, Yongxin and WanAn of JiAn Prefecture; Huichang, Anyuan, Chongyi and Ruijin of Ganzhou Prefecture; and Lianhua of Pingxiang Prefecture (the "Project Area").
2. **Goal.** The Project goal is to help the Borrower develop and implement pilot programmes that sustainably address the chronic poverty prevailing in pockets of remote and mountainous areas.
3. **Objectives.** The objectives of the Project are to increase farmers' production bases, improve agricultural production efficiencies, enhance product quality and improve margins along the value chains, especially at the farm level. The Project will promote agribusiness development through cooperatives and enterprises, emphasizing market access for farm products.
4. **Components.** The Project shall consist of the following three components:

#### **Component A: Agribusiness Promotion and Development**

The objectives of this component are to (i) enhance capacity building for cooperatives, enterprises and micro-enterprises and establish linkages between these and target farmers; and (ii) assist cooperatives and enterprises to enhance their role in the development of value chains within the chosen sector.

This component will be implemented through the following sub-components: (i) Support to Existing Farmer Cooperatives; (ii) Promotion of New Specialized Farmer Cooperatives (SFC); (iii) Business Development Services; (iv) Establishment of a Credit Leverage or Guarantee Facility.

*Sub-component A.1 - Support to Existing Farmer Cooperatives.* The Project will finance training, advisory services, technical assistance and support for selected existing farmer cooperatives in order to improve their management, business capacity, their access to the credit and profitability and to expand their business. The Project will support the development of business plans and link cooperatives into value chains.

*Sub-component A.2 - Promotion of New Specialized Farmer Cooperatives (SFC).* The following activities are foreseen under this sub-component:

- (a) *Establishment of new SFC.* The Project will finance the training advisory support for the establishment of the new SFC in accordance with national laws, including training to improve the business operations of the cooperative as well as the internal governance processes and basic office facilities and equipment.
- (b) *Strengthening Capacity of Economic Management Stations (EMSs).* The Project will finance training to cooperative promoters within the County EMSs to enable them to perform their role fully as coaches and facilitators for the process of cooperative development. The Project will provide training to cooperative promoters in each county of the Project Area.
- (c) *Promotion of Cooperative Federations.* The Project will support the creation of one Federation in each county of the Project Area.

*Sub-component A.3 - Business Development Services.* The Project will finance: (i) a need assessment study of the capacity-building requirements of the implementing agencies (IAs) and the support to IAs to develop, coordinate and monitor business linkages between the farmers, the cooperatives and the enterprises; (ii) the capacity-building of farmers and enterprises selected in accordance with the criteria defined in the PIM, to improve their management and business capacity, expand their business and improve their profitability, while at the same time improving the value chain linkages between enterprises and poor rural households and their cooperatives; (iii) support the development of business plans by enterprises and/or cooperatives selected in accordance with criteria defined in the PIM; and (iv) undertake studies to value chains most important for the Project Area and Target Population in accordance with criteria defined in the PIM.

The PIM will set forth the selection and eligibility criteria for the business plans and participating farmers who will be linked into a business model. A Memorandum of Understanding drafted in accordance with the model provided for in the PIM, will be signed between the participating farmers and their business partners (enterprise and/or cooperative).

*Sub-component A.4 - Establishment of a Credit Leverage or Guarantee Facility.* The objective of this sub-component is to provide a guarantee cover loans to selected cooperatives and agro/enterprises in order to enable them to access credit and other banking services for eligible activities as determined in the PIM. Participating banks or guarantee agencies will be selected in accordance to criteria defined in the PIM.

*Subsidiary Agreement:* A subsidiary agreement will be entered into between the BOF and the selected guarantee agency or bank in the form provided in the PIM. The draft subsidiary agreement shall be approved by the Fund and the Lead Project Agency prior to its signature.

Other activities such as technical assistance for the establishment of the Credit Leverage or Guarantee Facility, training in due diligence, risk management, studies and workshops will be financed under this sub-component to Project staff, government officials, SFC and guarantee agencies and participating banks.

### **Component B: Farm Production Expansion and Productivity Enhancement**

The objective of this component is to support the building of appropriate infrastructure and the establishment of farm production capacity. Training and technical assistance shall be provided to improve target farm business management skills and to support the improvement of production efficiencies. The objectives shall be achieved through the following sub-components:

*Sub-component B.1 - Farm Production Improvement.* Activities under this sub-component include: (i) technical assistance to improve farming techniques and on management, disease and pest control; (ii) the supply of quality seeds; (iii) the provision of inputs for the construction of inter alia, livestock sheds/poultry, initial sows/calves/chicks as well as working capital etc.; and (iv) the conclusion of contract farming arrangements through farmer cooperatives or enterprises, for the collection of farmers' produce, and their subsequent processing and marketing. The eligibility and selection criteria for these activities shall be defined in the PIM.

*Sub-component B.2 - Infrastructure Development.* The activities under this sub-component include: (i) funding of projects to improve on-farm irrigation and production road systems within the production bases of their cooperatives; (ii) funding of projects for improvement of public irrigation and village road system; (iii) training for cooperative members; and (iv) establishment and training of road maintenance groups and water users associations. The eligibility and selection criteria for these activities shall be defined in the PIM.

*Sub-component B.3 - Extension Services Improvement and Staff and Farmer Training.* The objective of this sub-component is to provide capacity-building to the Township Integrated Technical Service Stations (TITSSs). The activities under this sub-component include: (i) the financing of infrastructure and equipment base for selected poor TITSSs; (ii) training of TITSSs staff on updated technologies of agricultural production and particularly on the knowledge of agribusiness and value chain; (iii) linking farmer cooperatives and Project target farmers with experts of other service providers as required to address issues met during the Project implementation; and (iv) organizing knowledge exchange, cross visits, and participation in technical workshops to promote scaling up of positive results.

The eligibility and selection criteria for the infrastructure and equipment base activities shall be defined in the PIM.

### **Component C: Project Management and Coordination**

The Project will support the establishment and effective function of PMOs at provincial, prefecture and county levels. Project implementation will be substantially decentralized to the County PMOs. The organization and management is outlined in Section II below.

## **II. Implementation Arrangements**

### **A. Organization and Management**

#### *1. Lead Project Agency*

1.1. The Lead Project Agency shall be the DOA of the Jiangxi Province, acting through the Jiangxi Provincial Rural Social Development Bureau, for the overall coordination and supervision of the Project.

#### *2. Project Leading Groups (PLGs)*

2.1. *Establishment and composition.* The PLGs shall be established at provincial, prefecture and county levels respectively by the province, prefecture and each county where the Project shall be implemented. Each PLG shall be chaired by a senior official of government of the same level and include the representatives from relevant departments, bureaux and institutions as appropriate.

2.2. *Responsibilities.* The PLGs shall provide overall guidance and be responsible for the coordination and planning of Project implementation at their respective levels. Key responsibilities of PLGs shall include: (i) overall supervision of PMO's operations and Project performance; (ii) coordination of counterpart funds mobilisation for carrying out the Project; (iii) review and approval of Project Annual Work Plans and Budgets (AWPBs); and (iv) coordination of Project IAs.

#### *3. Provincial Project Management Office (Provincial PMO)*

3.1. *Establishment.* A Provincial PMO will be established by the DOA and located within the DOA. The DOA shall select one director and the deputy director.

3.2. *Composition.* The composition of the Provincial PMO shall include the following key positions: a director, a planning and monitoring and evaluation (M&E) officer, an agribusiness and financing officer, a knowledge management and gender coordinator, an accountant and a cashier. Qualified staff shall be selected according to the Borrower's applicable procedures.

3.3. *Responsibilities.* The Provincial PMO shall be responsible for coordinating Project implementation across the Project Area. Its main responsibilities shall be to formulate Project regulations and provide general oversight on the implementation of Project activities by the Prefecture, County and Township PMOs and shall also include the following:

- (a) Consolidation of AWPBs and coordination of Project implementation;
- (b) Establishment of Project M&E system;
- (c) Training and coaching of County PMOs and IAs;
- (d) Support the financial management of the Project, including processing reimbursement of Project expenses and withdrawal of funds;
- (e) Undertaking and overseeing procurement under the Project;
- (f) Manage the Credit Leverage or Guarantee Facility and conclude subsidiary agreements with participating banks or guarantee agencies; and
- (g) Project reporting.

#### 4. *Prefecture Project Management Office (Prefecture PMO)*

4.1. *Establishment.* A Prefecture PMO shall be established by the BOA of the Prefecture government. The Prefecture PMO shall be responsible for the coordination and management of Project activities in the counties of the Project Area under its jurisdiction.

4.2. *Composition.* The composition of the Prefecture PMO shall include the following key positions: a director, a planning and M&E officer, an agribusiness and financing officer, a knowledge management and gender coordinator, an accountant and a cashier. Qualified staff shall be selected according to the Borrower's applicable procedures.

4.3. *Responsibilities.* Under the leadership of the Provincial PMO, the Prefecture PMO responsibilities in its respective jurisdiction, shall include, among others:

- (a) Monitoring and supervision of Project implementation under its jurisdiction;
- (b) Facilitating Project reporting and communication;
- (c) Providing implementation support, where necessary;
- (d) Providing appropriate training to County PMOs and IAs;
- (e) Promoting knowledge capturing and sharing, including learning among counties; and
- (f) Coordinating Project financing and other support needed to counties.

#### 5. *County Project Management Offices (County PMOs)*

5.1. *Establishment.* The County PMOs shall be established in each county of the Project Area by the DOA and located within BOAs.

5.2. *Composition.* The composition of the County PMOs shall include the following key positions: a director, a planning and M&E officer, an agribusiness and financing officer, a knowledge management and gender coordinator, an accountant and a cashier. Qualified staff shall be selected according to the Borrower's applicable procedures.

5.3. *Responsibilities.* The County PMOs shall be responsible for coordinating Project implementation at county level. Their responsibilities include, among others:

- (a) Development of AWPBs through participatory approaches;
- (b) Coordination and supervision of Project implementation;
- (c) Provision of appropriate training to IAs, TPFs and VIGs and other partners in terms of Project strategy and implementation requirements;
- (d) Preparation of documents for reimbursement;



- (e) Transfer or monitoring the transfer of Project funds to IAs on time;
- (f) Organizing and/or monitoring of Project procurement;
- (g) Undertaking Project M&E and reporting;
- (h) Promoting Project knowledge capturing and sharing; and
- (i) Applying eligibility criteria to identify target groups and enterprises, cooperatives for participating in the Project.

5.4. *Business Plan Appraisal Committee (BPAC)*. Under the guidance of the Provincial PMO, the County PMO shall establish a BPAC. The composition and responsibilities of the BPAC, including its governance and administration, frequency of meetings, voting procedures, evaluation and review process of the business plans, record keeping shall be defined in the PIM. A qualified full-time staff member for the County PMO shall serve as secretary and non-voting member on the BPAC.

## 6. *Township Project Facilitators (TPFs)*

6.1. *Composition*. The TPF shall be appointed among the existing staff of township government, to support Project implementation utilizing existing facilities on a part-time basis. At least two designated staff shall provide support to the County PMO and IAs in implementing Project activities within the township, on a part-time basis.

6.2. *Responsibilities*. The TPF's key responsibilities include:

- (a) Oversee the implementation of Project activities in the township;
- (b) Identify and ascertain eligibility of participating enterprises, cooperatives and villages in line with Project targeting strategy;
- (c) Facilitate village-level mobilization and validate activities to be implemented in line with Project objective;
- (d) Review activity prioritization of the township and extent of poverty coverage;
- (e) Coordinate the township technical stations/centres and other participating partners in Project implementation;
- (f) Consolidate the M&E data collected by VIGs, enterprises and cooperatives and report to County PMOs; and
- (g) Liaise with target villages, farmer cooperatives and enterprises within the township.

## 7. *Village Implementing Groups (VIGs)*

7.1. *Establishment*. The VIG shall be established by the local authorities with the support of the County PMOs in each selected administrative village.

7.2. *Composition*. The VIG will be chaired by the Head of the village committee and composed of approximately 6-8 people, including approximately 3-4 farmer representatives from different well-being household categories and including women and the poor and vulnerable.

7.3. *Responsibilities*. The VIGs' major responsibilities include:

- (a) Categorization of households based on participatory well-being ranking within the village;
- (b) Identification of Project activities, prioritization of eligible groups through participatory approach, and reporting to the PMOs for the development of AWPBs;
- (c) Organization of the poor and vulnerable households to participate in Project activities;
- (d) Monitoring Project implementation and collecting M&E data as required; and
- (e) Organization of the operation and maintenance of community infrastructure built by the Project, where relevant.

## **B. Implementation of Components**

### **8. Component A: Agribusiness Promotion and Development**

8.1. *Training, Technical Support and Capacity Building.* The training, advisory service, technical assistance and support to cooperatives activities under this component shall be implemented by the RECMB as well as specialist trainers, consultants and business support service providers contracted in accordance with this Agreement.

8.2. *Development and Execution of Business Plans.* Activities related to the development and execution of business plans will be implemented by the County PMO who shall be responsible to oversee and monitor the implementation of the business plans under the overall supervision of the Provincial PMO. The BPAC established by the County PMOs shall be responsible for the review, assessment and selection of the business plans in accordance with the selection and eligibility criteria defined in the PIM and shall make a recommendation to the County PMO.

8.3. *Credit Leverage or Guarantee Facility.* Activities under sub-component A.4 shall be implemented by selected specialized guarantee agencies and banks at county level selected in accordance with criteria specified in the PIM. To this end, a subsidiary agreement shall be entered into by BOFs with each selected participating bank or guarantee agency.

8.3.1. *Agreements with Participating Banks.* The BOFs shall enter into an agreement with each participating bank selected in accordance with eligibility and selection criteria defined in the PIM. The agreement shall provide amongst other things: the financing of the loans through their own funds, the type and use of guarantee made available by the guarantee agency and the interest rate levels.

8.3.2. *The Participating Bank or Guarantee Agency Subsidiary Agreement.* The relevant BOFs shall enter into an agreement with each participating bank or guarantee agency for the implementation of the Credit Leverage or Guarantee Facility sub-component A.4. To this end a subsidiary agreement shall be drafted which shall provide, among other things, that:

- (a) The participating bank or guarantee agency shall declare its commitment to the goals and purposes of the Project as stated in Schedule 1 and, in furtherance of such goals and purposes, it shall undertake to carry out activities under the Credit Leverage or Guarantee Facility Component A in accordance with this Agreement;
- (b) The Borrower through the BOF, shall transfer Project resources to the relevant participating bank or guarantee agency in accordance with the AWPBs;
- (c) The participating bank or guarantee agency shall implement the Credit Leverage or Guarantee Facility in accordance with the criteria described in the PIM.

8.3.3. The Borrower, through the Lead Project Agency, shall submit a draft of the Participating Bank or Guarantee Agency Subsidiary Agreement to the Fund for non-objection.

## 9. **Component B: Farm Production Expansion and Productivity Enhancement**

9.1. *Sub-component B.1 - Farm Production Improvement.* Activities under this sub-component in relation to annual/perennial cash crops shall be implemented by the BOA under the coordination of the PMOs. The BOL shall be responsible for the implementation of the livestock development activities. The Project sites and villages where activities will be implemented under this sub-component shall be selected by the County PMOs in accordance with criteria defined in the PIM. The BOA of each county of the Project Area shall provide technical services to Project beneficiaries.

9.2. *Sub-component B.2 - Infrastructure Development.* Implementation of the activities under this sub-component shall follow a participatory approach through village level road maintenance groups and water users associations. Under the coordination of the PMOs, the Prefecture and County BOTs shall be responsible for the implementation of the road improvement related activities through service providers such as professional construction contractors selected in accordance with this Agreement. Irrigation related activities shall be implemented by the Prefecture and County BOWRs through service providers such as professional construction contractors who shall be selected in accordance with this Agreement. The BOWR shall be responsible for technical guidance and supervision. The BOA and farmer cooperatives shall be responsible for the land levelling and preparation activities. The selection of infrastructure projects and intervention sites shall be done in accordance with the selection criteria specified in the PIM.

9.3. *Sub-component B.3 - Extension Services Improvement and Staff and Farmer Training.* Implementation responsibility for this sub-component shall remain with the BOAs. Since each of the BOAs includes an agriculture sub-sector and a livestock sub-sector, on behalf of the BOA these two sub-sectors shall carry out the specific responsibilities for cropping activities and livestock activities, respectively, under coordination of the PMO. The training activities shall be undertaken by specialist trainers, consultants and business support service providers contracted in accordance with this Agreement.

### **C. Project Implementation Manual**

10. *Preparation.* The Provincial PMO shall prepare the draft PIM with the input from the Prefecture and County PMOs. The draft PIM shall include, among other things:

- (a) Terms of reference and implementation responsibilities of Project staff, consultants and likely service providers;
- (b) Criteria for the performance appraisal of the Project professional staff;
- (c) The composition of the BPAC and its responsibilities;
- (d) Eligibility and selection criteria for the capacity-building activities of TITSSs foreseen under sub-component B.3;
- (e) Eligibility criteria for the activities foreseen to support farmer cooperatives including training and development of business plans;
- (f) Targeting, eligibility and selection criteria for the intervention under sub-component B.1 (Farm Production Improvement) and sub-component B.2 (Infrastructure Development) for participating villages, cooperatives and other beneficiaries;
- (g) Project operational, financial and procurement procedures, including participatory planning, implementation and monitoring procedures;
- (h) Separate operational manual for the operational modalities of the Credit Leverage or Guarantee Facility including selection and eligibility criteria for the Guarantee Agencies and Participating Banks;

- (i) Model subsidiary agreements to be entered into by BOF and Guarantee Agencies and Participating Banks for the implementation of the Guarantee Facility;
- (j) Model contract to be entered into by farmers and cooperatives and/or enterprises; and
- (k) M&E system and procedures including the Results and Impact Management System (RIMS).

11. *Approval and Adoption.* The Lead Project Agency, through the Provincial PMO, shall forward the draft PIM to the Fund for comments and approval. The Lead Project Agency shall cause the PMOs to adopt the PIM, substantially in the form approved by the Fund, and the Lead Project Agency, through the Provincial PMO, shall promptly provide copies thereof to the Fund. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed approved.

**Schedule 2***Allocation Table*

1. *Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in EUR)	Grant Amount Allocated (expressed in SDR)	Percentage of total expenditures
I Works	3 410 000		100% net of government contribution
II Goods, Services and Inputs	20 750 000		62% of total cost net of beneficiary contribution
III Equipment and Materials	260 000		40% of total cost
IV Credit, Guarantee Funds	3 590 000		100% net of taxes
V-a Consultancies	1 810 000		100% net of government, cooperatives and enterprises contributions
V-b Consultancies-Grant		420 000	100% net of taxes
VI-a Training	1 090 000	-	100% net of government, cooperatives and enterprises contributions
VI-b Training-Grant		80 000	100% net of taxes
Unallocated	3 440 000	50 000	
<b>TOTAL</b>	<b>34 350 000</b>	<b>550 000</b>	

(b) The terms used in the Table above are defined as follows:

"Works" under Category I, shall mean eligible expenditures incurred related to:

- (i) technical station establishment in sub-component B.3, 50% of which shall be financed by the Loan and 50% from the government;

- (ii) works under sub-component B.2 "Production Base Infrastructure to facilitate farm productivity improvement", 30% of which shall be financed by the Loan and 70% from the government.

"Goods, Services and Inputs" under Category II, shall mean eligible expenditures related to the input for the implementation of activities under the sub-component B.1. The Loan shall finance 62% and government shall finance (including taxes) 38% of the total cost net of the beneficiary contribution.

"Equipment and Materials" under Category III, shall mean eligible expenditures incurred related to equipment and material in Components B and C. The Loan shall finance 40% and government shall finance 60% (including taxes) of the total cost.

"Credit, Guarantee Funds" under Category IV, shall mean eligible expenditures incurred related to the Credit Leverage or Guarantee Facility under Component A to support leverage credit funds from banks.

"Consultancies" under Category V-a, shall mean eligible expenditures incurred related to services and consultancies for:

- (i) standardized SFC development under sub-component A.2, 50% of which shall be financed by the Loan and 50% will be from the government;
- (ii) establishment of Guarantee Facility and Credit Leverage from participating banks under Component A, which shall be financed 100% total cost net of taxes by the Loan;
- (iii) M&E at County PMO level under Component C which shall be financed 100% net of taxes by the Loan.

"Consultancies-Grant" under Category V-b, shall mean eligible expenditures incurred related to:

- (i) business development services under Component A;
- (ii) technical assistance to value chain financing studies, computerized accounting software, business development services and Credit Leverage or Guarantee Facility implementation support under Component C.

"Training" under Category VI-a, shall mean eligible expenditures incurred related to:

- (i) study visit under Component C for Project staff to other project areas in China co-financed by the Fund, which shall be financed 100% net of taxes by the Loan;
- (ii) training of the County PMO staff under county Project management in Component C which shall be financed 10% of the total cost by the Loan;
- (iii) all other trainings activities shall be financed 50% of the total cost by the Loan.

"Training-Grant" under Category VI-b, shall mean eligible expenditures incurred related to training for capacity support for management staff under sub-component A.3.

2. *Retroactive Financing.* Withdrawals not exceeding in the aggregate the equivalent of EUR 800 000 to pre-finance activities may be made from the Loan Account in respect of expenditures for: training and capacity building workshops for Project beneficiaries and staff of the various PMOs and IAs, consulting services related to the studies and field surveys, seasonally dependent crop demonstration activities by the cooperatives, exposure visits for knowledge management and experience sharing incurred as from 8 April 2014. Such expenditures may be considered Eligible Expenditures for all purposes of this Agreement.