

Document:	<u>EB 2015/115/R.11/Sup.1</u>
Agenda:	<u>6(b)(ii)</u>
Date:	<u>4 September 2015</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E



Investing in rural people

People's Republic of China

Qinghai Liupan Mountain Area Poverty  
Reduction Project (LMAPRP)

Negotiated financing agreement

Executive Board — 115<sup>th</sup> Session  
Rome, 15-16 September 2015

---

For: Information

# Negotiated financing agreement: "Qinghai Liupan Mountain Area Poverty Reduction Project (LMAPRP)"

(Negotiations concluded on 25 August 2015)

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

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

Project Title: Qinghai Liupan Mountain Area Poverty Reduction Project (LMAPRP) (the "Project")

The People's Republic of China (the "Borrower/Recipient")

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, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except as provided in paragraph 2 of Schedule 2. 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 Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## Section B

4. A. The amount of the Loan is thirty eight million seven hundred fifty thousand Euro (EUR 38.75 million).

B. The amount of the Grant is seven hundred and twenty thousand Special Drawing Rights (SDR 720 000).

5. The Loan shall be subject to interest on the principal amount outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace period of five (5) years starting from the date that the Fund has determined that all General Conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b).

6. The Loan Service Payment Currency shall be the Euro.

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 of the Qinghai Province in a commercial bank acceptable to the Fund to receive the Loan proceeds (the "Loan Designated Account"). There shall be one Designated Accounts denominated in USD maintained by the Department of Finance of the Qinghai Province in a commercial bank acceptable to the Fund to receive the Grant proceeds (the "Grant Designated Account").
10. The Borrower/Recipient shall cause the government of the Qinghai Province to provide counterpart financing for the Project in a total amount equivalent to approximately USD 42.48 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 13.59 million, enterprises and cooperatives shall contribute approximately USD 3.45 million and participating banks shall contribute approximately USD 15.10 million for leveraged credit. The counterpart funds shall be made available for the Project.
11. Project Accounts shall be maintained by the Provincial Project Management Office, Prefecture Project Management Offices, County Bureaux of Finance and County Project Management Offices in CNY in commercial banks acceptable to IFAD, to receive the proceed of the financing and/or counterpart funds.

#### Section C

12. The Lead Project Body shall be the Project Leading Group (PLG).
13. The Lead Project Implementation Agency (LPA) shall be the Bureau of Poverty Alleviation (BPA) of the Qinghai Province. The BPA shall be primarily responsible to the Provincial Project Leading Group (PLG) for the overall management of the Project.
14. Additional Project Parties include the Department/Bureaux of Water Resources (DOWR/BOWRs), Department/Bureaux of Agriculture (DAL/BALs), Bureaux of Poverty Alleviation (BPAs), Forestry Department/Bureaus (FD/FBs), Women Federations (WFs), and the Disabled Persons Federation (DPF).
15. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

#### Section D

16. The Financing will be administered and the Project supervised by the Fund. In addition to supervision missions which shall normally be carried out every six months, the Fund shall conduct a mid-term review to be carried out towards the third year of Project implementation.

#### Section E

17. The following is designated as an additional ground for suspension of this Agreement: The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, 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.

18. The following are designated as additional conditions precedent to withdrawal:
- (a) The PPMO and at least one County PMO shall have been duly established and composed in accordance with Schedule 1, Section II and the respective Project staff shall have been selected;
  - (b) The Borrower/Recipient through the Lead Project Implementation Agency shall have caused the PPMO to submit, and the Fund shall have received, an official document confirming the availability of adequate counterpart funds for the first Project Year;
  - (c) A draft Project Implementation Manual acceptable to the Fund shall have been prepared; and
  - (d) A computerized accounting system acceptable to the Fund shall have been identified and selected by the Provincial PMO.

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

For the Borrower/Recipient:

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

Facsimile Number: +86 10 68552467

For the Fund:

The 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/Recipient.

PEOPLE'S REPUBLIC OF CHINA

---

[Authorized Representative]

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

---

Kanayo F. Nwanze  
President

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. Target Population. The Project shall benefit poor men and women from rural households, with a focus on (i) poor smallholder farmers with a potential for cultivating high-value/locally-featured products, and (ii) the disadvantaged and vulnerable but economically capable poor (i.e. women, young, disabled, ethnic minorities, etc.), in the following seven (7) counties of the eastern part of the Qinghai Province: Huangzhong, Huangyuan, Minhe, Ledu, Huzhu, Hualong, and Xunhua (the "Project Area").

2. Goal. The goal of the Project is to contribute to achieving sustainable and equitable poverty reduction and to improve the livelihoods of rural households in the Project Area.

3. Objectives. The specific Project objective is to sustainably increase the income of poor and vulnerable farmers residing in the Project Area. This will be achieved by (i) enhancing agriculture and livestock productivity, focusing on high-value/locally-featured products; (ii) enhancing the opportunities for targeted farmers to access markets by linking them to strengthened cooperatives and enterprises; and (iii) strengthening the capacity of vulnerable groups to engage in off-farm income generating activities.

4. Components. The Project shall consist of the following four components: (1) climate resilience infrastructure, (2) market-oriented agriculture, (3) off-farm livelihood support; and (4) project management and coordination.

#### Component 1: Climate Resilient Infrastructure

The objective of this component is to enhance agricultural productivity and the resilience of the rural poor to climate change through improved irrigation systems and sustainable water management. The component includes one sub-component: irrigation infrastructure enhancement.

#### Sub-component 1.1: Irrigation infrastructure enhancement

This sub-component aims to improve irrigation systems and enhance water use efficiency through combined physical, institutional and technical means, to better serve agricultural development and market-oriented production in the selected Project Area, and to enhance climate resilience of local farming. This sub-component will be achieved through the following activities:

- (a) Completion and upgrading of infrastructure systems. This activity will support completion and upgrading of the infrastructure systems of the selected irrigation schemes, including: the rehabilitation and lining of canals and steel pipe siphons, the construction and rehabilitation of water delivery pipelines, various canal and pipeline structures.
- (b) Establishment and strengthening of water users' associations (WUAs). This activity will include the construction and provision in office equipment of office buildings, technical assistance; and organization of WUA meetings/workshops.
- (c) Technical training and capacity building. This activity will provide technical training and capacity building of irrigation and water conservation methods to

irrigation professionals, WUA members, and irrigation farmers. Tailor-designed training modules and materials will be developed and used for these trainings based on need assessment.

- (d) Support to normative ownership and management (O&M). This activity will financially support normative O&M of irrigation systems completed and upgraded under the Project, including the operational costs of irrigation management agencies, WUAs, sub-WUAs and water user groups, and the maintenance costs of irrigation systems.

## Component 2: Market-Oriented Agriculture

The objective of this component is to increase the income of farmers in poor areas by developing market-oriented production of cash crops, economic tree crops and livestock, and linking the farm producers to relevant farmer cooperatives and Agricultural Small and Micro Enterprises (ASMEs) to enhance market access. This will be achieved by implementation of the following sub-components: (i) cash crops development; (ii) economic tree crops development, (iii) livestock development, and, (iv) market access enhancement.

### Sub-component 2.1: Cash crops development

This sub-component aims to support farmers in the development of crops with high market value. This sub-component will be achieved through the following activities:

- (a) Reconditioning and construction of farmers' greenhouses for high-value cash crop production through the reconditioning of out-of-repair greenhouses and the constructing of new ones. This Project will support the adoption of dripping irrigation systems in the greenhouses and the adoption of integrated pest management systems.
- (b) Support to open field cash crop production through the provision of essential farm inputs and practical technical training.
- (c) Strengthening grassroots extension service through the support of the establishment of the linkage between county and cooperative technicians and agro-business with farmers. Activities include the provision of technical training to farmers and demonstrations at farmer household levels.
- (d) Support to medicinal plants through activities including; the participatory sustainable management of medicinal plants, the development of guidelines, protocols and manuals for propagation and cultivation and good collecting practices, training and demonstration activities on sustainable management, a harvesting value/supply chain analysis and pre-assessment of certification.

### Sub-component 2.2: Economic tree crops development

The objective of this sub-component is to explore income generation potential through the growth of diverse economic tree crops and by managing tree nurseries with more varieties of tree seedlings in the Project Area. This sub-component will be achieved through the following activities:

- (a) Development of new multifarious economic tree crops.
- (b) Establishment and support to the management of nurseries through the provision of inputs and other materials and technical training. The

sub-component will support the farmers to join existing tree seedling production cooperatives or establish new ones.

#### Sub-component 2.3: Livestock development

This sub-component aims at supporting farmers in increasing the production of livestock with good market potential and improving the environmental impacts of livestock farming. This sub-component will be achieved through the following activity:

- (a) Livestock development. This activity entails building warm sheds and upgrading supply of breeding stock and fodder production. Technical services will be provided to enable the producers to adopt environment-friendly production practices and improve feeding management and animal disease control. Support will be provided to the linking of farmers and herders with the cooperatives and ASMEs.

#### Sub-component 2.4: Market access enhancement

This sub-component aims to help farmers promote their cash crops, economic tree crops, and livestock, and market these agro-products in a more efficient and beneficial manner. This will involve helping farmers, cooperatives, and ASMEs achieve a long-term stable market and increasing farmers' income. This sub-component will be achieved through the following activities:

- (a) Capacity-building to farmers, cooperative members and cooperative and ASMEs managers on cooperative and business skills. The activities under this sub-component will also include support to the development of business proposals.
- (c) Branding and market development such as promotion activities, sales contracts development, participation to exhibits.
- (d) Infrastructure enhancement. The sub-component will support through the credit guarantee facilities, activities such as the construction of cold storages and other facilities as well as the procurement of equipment for packing, processing, transporting and marketing as well as office supplies.
- (e) Value chain analysis for endemic cash and tree crops with global environmental value.
- (f) Establishment of credit guarantee facilities. The objective of this sub-component is to provide a guarantee cover loans to selected individual households, farmers' cooperatives and ASMEs in order to enable them to access credit and other banking services for eligible activities as determined in the PIM. Participating rural financial institutions (RFIs), or Credit Guarantee Companies (CGC) and Credit Guarantee Facilities (CGF) will be selected in accordance to criteria defined in the PIM, including the greenhouse vegetable production, agro-marketing and processing activities.

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

Other activities such as technical support to the CGC and CGF for the establishment of the Leverage Credit or Guarantee Facility, training in areas such as: loan collaterals and collateral substitutes, cash flow based lending methodologies, and agricultural value chain



finance. The sub-component will finance studies and pilots for innovative financing practices.

#### Component 3: Off-Farm Livelihood Support

The objectives of this component are to (i) enhance the skills of rural women and economically-capable disabled persons for employment and income generation, with a focus on helping improve their self-confidence and esteem; (ii) build their technical skills; (iii) enhance their self-development capacity and improve their livelihood; (iv) improve the capacity of rural youth, including young college graduates, to develop their business and enterprises; and (v) to create job opportunities for the local community. Activities under this Component include skill training on handicrafts and housewifery services, and capacity building on business and financial management.

#### Component 4: Project Management and Coordination

The Project will support the establishment and effective function of Project Management Offices (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. Project Leading Groups (PLGs)

1.1. Establishment and composition. PLGs shall be established at provincial and county levels respectively by the province, 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.

1.2. 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 implementing agencies.

#### 2. Lead Project Implementation Agency

2.1. The Lead Project Implementation Agency shall be the Bureau of Poverty Alleviation (BPA) of the Qinghai Province for the overall coordination and supervision of the Project.

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

3.1 Establishment and composition. A Provincial PMO shall be established by the Bureau of Poverty Alleviation (BPA) who shall select one director and the deputy director. The Provincial PMO shall be located within the BPA. The Provincial PMO shall be composed of at least the following key positions: a director, a deputy director, an accountant, a cashier, a planning officer, an M&E officer, an implementation coordinator, and a gender-focused coordinator. Qualified staff shall be selected according to the Borrower/Recipient's applicable procedures.

3.2 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 CPMOs and implementing agencies (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 Guarantee Facilities and conclude subsidiary agreements with participating Rural Finance Institutions, and guarantee companies; and
- (g) Project reporting.

#### 4. Prefecture Project Management Offices (Prefecture PMOs)

4.1. Establishment and composition. The Prefecture PMOs shall be established by the Bureau of Poverty Alleviation (BPA) in Haidong and Xining. The Prefecture PMOs shall be composed of qualified staff selected according to the Borrower/Recipient's applicable procedures.

4.2. Responsibilities. The Prefecture PMOs shall be responsible for coordinating Project implementation across the respective Prefecture of the Project Area. Its main responsibilities shall be to provide general oversight on the implementation of Project activities by the County and Township PMOs and shall also include the following:

- (a) Coordinate the preparation of AWPBs of the counties;
- (b) Oversee and facilitate project implementation in the counties;
- (c) Support the counties in project reporting and knowledge management activities;

#### 5. County Project Management Offices (CPMOs)

5.1 Establishment and composition. The CPMOs shall be established in each of the seven (7) counties of the Project Area through an official document from the county government. The CPMOs shall be located within the BPA. The CPMOs shall be composed of at least the following key positions: a director, a deputy director, an accountant, a cashier, a planning officer, an M&E officer, an implementation coordinator, and a gender-focused coordinator.

5.2 Responsibilities. The CPMOs shall be responsible for coordinating Project implementation across sectors at the county level. Their responsibilities shall include: (i) development of AWPBs through participatory approaches; (ii) monitoring and supervision of Project implementation; (iii) provision of appropriate training to Implementing Agencies (IAs) and Village Implementing Groups (VIGs) in terms of Project implementation; (iv) preparation of SOEs and claim documents; (v) timely transfer of Project funds to IAs; (vi) organizing Project procurement; (vii) Project reporting; (viii) undertaking Project baseline and RIMS surveys; and (ix) promoting Project knowledge sharing.

## 6. Village Implementing Groups (VIGs).

6.1 Establishment and composition. The VIGs shall be established by the local authorities with the support of the CPMOs in the Project-targeted villages. The VIGs shall be headed by the director of the existing village committee and composed of approximately eight (8) to twelve (12) people, including all the village committee members, and three (3) to five (5) farmer representatives from different categories of households.

6.2 Responsibilities. The responsibilities of the VIGs shall include: (i) an annual participatory perceived wellbeing ranking of households within the village; (ii) identifying Project activities prioritized by eligible groups through participatory approach, and reporting to the IAs and PMOs for the development of AWPBs; (iii) organizing the target groups to participate in Project activities; (iv) assisting PMOs to monitor Project implementation and collecting M&E data as required; and (v) organizing the operation and maintenance of community infrastructure built by the Project.

## B. Implementation of Components

### 7. Component 1: Climate Resilience Infrastructure

7.1. Sub-component 1.1: Irrigation infrastructure enhancement. The activities under this sub-component shall be implemented by the Provincial Department of Water Resources (PDOWR). The County Bureau of Water Resources (CBOWR) shall be responsible for implementation of specific activities within their respective counties, including providing policy and technical advice to the irrigation management agency and the WUA, reviewing engineering designs submitted by the consultancy contractor, inspecting construction work carried out by construction contractors and supervisors, and identifying qualified resource personnel for technical assistance and training. Construction will be implemented by selected service providers.

### 8. Component 2: Market-Oriented Agriculture

8.1 Sub-component 2.1: Cash crops development. The activities under this sub-component shall be implemented by the Bureau of Agriculture and Livestock (BALs) in close coordination with the BPA at county levels. Technical services will be provided by the technical implementing agencies, Department of Agriculture and Livestock (DALs), BALs and the cooperatives/ASMEs. The responsibilities of the implementing agency include: (i) identification and engagement of technicians; (ii) procurement of farm input required for training and demonstration; (iii) supervision of the delivery of the prescribed activities; and (iv) collecting feedback from the beneficiary farmers.

The Qinghai provincial forestry department with coordination from BPA will implement the activities in relation to the medicinal plants and will be responsible for the development of activities and achievement of effective partnerships with other relevant implementing agencies. The County Forestry Bureaux will be responsible for the implementation with farmers and cooperatives of the activities for the support of indigenous and medicinal plants and pre-certification process of selected species. The BAL will also implement activities under the reconditioning and construction of greenhouses, including site selection for building new greenhouses, technical support to greenhouse construction, technical training of management and production, and the provision of logistic support for implementation of the activities.

8.2 Sub-component 2.2: Economic Tree Crops Development. The activities under this sub-component shall be implemented by the County Forestry Bureaux with the cooperation and coordination of the CPMOs. The responsibilities of the County Forestry Bureaux include: (i) identification of qualified villages and target farmer households; (ii) coordination of the implementation of the subcomponent activities in line with related laws and regulations regarding the cultivation of economic tree crops; (iii) adjustment of the subcomponent to adapt to local conditions and activities in accordance with the given criteria; (iv) promotion of the formation of beneficiary groups by trade, linking these groups with relevant farmer cooperatives; and (v) technical guidance.

8.3 Sub-component 2.3: Livestock development. The activities under this sub-component shall be implemented by the BAL in close coordination with the BPA at county level will implement the livestock activities.

8.4 Sub-component 2.4: Market access enhancement. Activities under sub-component B.4 shall be implemented by selected specialized guarantee companies at county level selected in accordance with criteria specified in the PIM. To this end, a subsidiary agreement shall be entered into by Bureaux of Finance with each selected participating guarantee company.

8.4.1. Agreements with Participating CGC/CGF. The Bureaux of Finance 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.

8.4.2. The Participating CGC/CGF Subsidiary Agreement. The relevant Bureaux of Finance shall enter into an agreement with each participating CGC/CGF for the implementation of the guarantee facilities sub-component B.4. To this end a subsidiary agreement shall be drafted which shall provide, among other things, that:

- (a) The participating CGC/CGF 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 guarantee facilities in accordance with this Agreement;
- (b) The Borrower/Recipient through the BOF, shall transfer Project resources to the relevant participating CGC/CGF in accordance with the AWPBs;
- (c) The participating CGC/CGF shall implement the credit guarantee facilities in accordance with the criteria described in the PIM.

8.4.3. The Borrower/Recipient, through the Lead Project Implementation Agency, shall submit a draft of the Participating CGC/CGF Subsidiary Agreement to the Fund for non-objection.

## 9. Component 3: Off-Farm Livelihood Support

9.1 The activities under this component shall be implemented by the Women's Federation, the Disabled Person's Federation, and the BPA at the county level. More specifically, the above actors will each be responsible for the following: (i) beneficiary identification; (ii) training service provider selection; (iii) adjustment of trained skills; (iv) facilitation of trainees to the relevant market; and (v) monitoring the implementation of Project activities.

### C. Project Implementation Manual

10. Preparation. The Provincial PMO shall prepare the draft PIM with the input from the 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) Eligibility and selection criteria for the implementation of Project activities such as those for infrastructure and constructions projects;
- (d) Eligibility criteria for the activities foreseen to support farmers cooperatives including training and development of business plans;
- (e) Targeting, eligibility and selection criteria for the intervention under sub-component B1 (Farm production improvement) and sub-component B2 (Infrastructure development) for participating villages, cooperatives and other beneficiaries;
- (f) Project operational, financial and procurement procedures, including participatory planning, implementation and monitoring procedures;
- (g) Separate operational manual for the operational modalities of the Guarantee Facilities including selection and eligibility criteria for the participating CGC and CGF;
- (h) Model subsidiary agreements to be entered into by BOF and participating CGC and CGF for the implementation of the credit guarantee facilities;
- (i) Model contract to be entered into by farmers and cooperatives and/or enterprises; and
- (j) M&E system and procedures including the Results and Impact Management System (RIMS).

11. Approval and Adoption. The Lead Project Implementation Agency, through the Provincial PMO, shall forward the draft PIM to the Fund for comments and approval. The Lead Project Implementation Agency shall cause the PMOs to adopt the PIM substantially in the form approved by the Fund, and the Lead Project Implementation 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 and the 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	9 890 000		50% of total cost
II Equipment and Materials	330 000		see paragraph b below
III (a) Training	3 660 000		100% net of all other contributions
(b) Training		720 000	100% of total cost net of taxes
IV. (a) Goods, Services and Inputs	5 000 000		50% total cost net of Banks and beneficiaries' contributions
(b) Goods, Services and Inputs	13 450 000		56% total cost net of beneficiaries' contributions
V Credit, Guarantee Funds	2 550 000		100% total cost net of taxes
Unallocated	3 870 000		
<b>TOTAL</b>	<b>38 750 000</b>	<b>720 000</b>	

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

"Equipment & Material" under Category II, shall mean eligible expenditures incurred related to equipment and materials under sub-component 1.1, Component 3 and County PMOs under Component 4 shall be financed by the Loan 90% of the total cost. Other equipment and materials under Haidong PMO, Xing Prefecture XPMO and Provincial PMO shall be financed 100% by the Borrower/Recipient.

"Goods, services and inputs" under Category IV (a), shall mean eligible expenditures incurred related to reconditioning and construction of famers' greenhouses for high value cash crop production under sub-component 2.1. "Goods, services and inputs" under Category IV (b), shall mean eligible expenditures incurred related to all other goods, services and inputs.

"Training" under Category III (a), shall mean eligible expenditures incurred related to training workshops and consultancies except for training, workshops and consultancies financed from IFAD Grant.

"Training" under Category III (b), shall mean eligible expenditures incurred related to:

- (i) Training WUA member and training farmers under sub-component 1.1;
- (ii) Management training and the establishment of CGFs and piloting financial innovations under sub-component 2.4;
- (iii) Monitoring and evaluation and the preparation of knowledge documents and knowledge sharing of County PMOs under Component 4.

2. Retroactive Financing. As an exception to section 4.08(a)(ii) of the General conditions, expenditures not exceeding in the aggregate the equivalent of EUR 5.5 million from the loan for purposes such as the purchase of essential items of equipment for PMOs, establishment of M&E system, start-up training and workshops of implementation and management, visits for knowledge and experiences sharing, field surveys and studies, good, services and agriculture inputs for seasonally dependent cop demonstration activities incurred after 27 October 2014 but prior to the date of entry into force of this Agreement shall be considered Eligible Expenditures.