
People's Republic of China

**Gansu Rural Revitalization Demonstration Project
(G2RDP)**

Negotiated financing agreement

Document: EB 2024/142/R.2/Rev.1/Sup.1

Agenda: 3(a)(i)(a)(i)

Date: 17 September 2024

Distribution: Public

Original: English

FOR: INFORMATION

Negotiated financing agreement

Gansu Rural Revitalization Demonstration Project (G2RDP)

(Negotiations concluded on 12 September 2024)

Loan No: []

Project name: Gansu Rural Revitalization Demonstration Project (G2RDP) (the "Project")

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

and

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

(each a "Party" and together the "Parties")

WHEREAS, the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, 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), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, 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 for the provisions identified 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, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the loan is seventy-nine million six hundred ninety thousand Euros (EUR 79 690 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace

period of three (3) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.

3. The Loan Service Payment Currency shall be in Euros.
4. The first day of the applicable Fiscal Year shall be the 1st of January.
5. Payments of principal and interest shall be payable on each 15th January and 15th July.
6. The Department of Finance of Gansu Province shall maintain one Designated Account (DA) in Euro, for the exclusive use of the Project. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. The Borrower shall, through Gansu Province, provide counterpart financing for the Project in the amount of approximately one hundred and twenty-six million Euro (EUR 126 million) in cash and/or in kind.

Section C

1. The Lead Project Agency shall be the Provincial Department of Agriculture and Rural Affairs (DARA) of the Gansu Province. An inter-agency coordination mechanism (IACM) at county level will be established to supervise and coordinate Project implementation.
2. A Mid-Term Review shall be conducted as specified in Section 8.03(b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such other date as the Fund may designate in consultation with the Borrower.
4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

Section D

1. The Fund will administer the Loan and supervise the Project.

Section E

1. The following is designated as an additional ground for cancellation of this Agreement:
 - (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least twelve (12) consecutive months without justification subsequent to the first eighteen (18) months from the Effective Date.
2. The following are designated as additional specific conditions precedent to withdrawal:
 - (a) The IFAD no objection to the PIM shall have been obtained.
 - (b) Key Project staff at provincial and county level Project Management Offices has been appointed as per Section II, Schedule 3 of this Agreement.

- (c) IFAD must receive, a duly completed Authorised User(s) Letter, from the designated representative or a sufficiently senior delegated official, designating the name(s) of official(s) authorised to approve Withdrawal Application(s) and Interim Financial Reports (IFR).
- (d) The first Annual Work Plan and Budgets (AWPB) shall have been submitted and received a no-objection from IFAD.

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

For the Borrower:

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

For the Fund:

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

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

PEOPLE'S REPUBLIC OF CHINA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall support approximately 108,000 rural households and will benefit around 351,500 people. Female direct participation is estimated at 50%, and youth at 30%; the Project will also specifically engage ethnic minorities in China.
2. *Project area.* The Project will target four counties and one district that have been proposed by the Government as project counties/districts, including Tianzhu, Jingtai, Huating, Maiji and Weiyuan. These areas have been selected based on (i) risk of continued vulnerability of the former nationally and provincially designated poor counties; (ii) relative geographic concentration for future implementation efficiency; (iii) opportunities for inclusive and climate-resilient green agricultural development; (iv) potential for innovative eco-system protection and conservation; and (v) strong commitment of county government to participate in the Project implementation. Any modification to the Project areas may be done upon prior no-objection of IFAD.
3. *Goal.* The goal of the Project is to contribute to the consolidation of no poverty (SDG1) and the gains made towards zero hunger (SDG2), gender equality (SDG5), climate action (SDG13) and using innovative and scalable good practices.
4. *Objectives.* The objective of the Project is to support the country's ongoing Rural Revitalization programme by demonstrating inclusive and innovative business models that promote sustainable and climate-resilient agriculture while building community adaptive capacities.
5. *Components.* The Project will include the following components:
 - 5.1 **Component 1: Sustainable green agricultural development.** It aims to promote and safeguard the socio-economic inclusiveness of smallholders in agricultural modernization and Rural Revitalization and will have three subcomponents focusing on (1.1) inclusive support to smallholder farmers, (1.2) eco-friendly transformation, and (1.3) public productive infrastructure.
 - 5.2 **Component 2: Building community resilient capacities.** It aims to build the community-based well-being assets and capacities as an integral part of the improved rural livelihoods under the ongoing Rural Revitalization programme.
 - 5.3 **Component 3: Policy and institutional capacity building.** It will highlight policy engagement, institutional capacity building, Monitoring and Evaluation (M&E), Knowledge Management (KM) and South-South Triangular Cooperation (SSTC) activities, and overall project management.

II. Implementation Arrangements

6. *Lead Project Agency.* The Project will be implemented by the Provincial Department of Agriculture and Rural Affairs (DARA) of the Gansu Province in China at provincial level. DARA is a provincial-level government agency responsible for promoting the development of agriculture and rural areas, aiming at achieving the goals of modernizing agriculture, increasing farmers' income, improving rural living standards, and building a harmonious society in Gansu province.
7. *Project Management Offices (PMO).* A Provincial Project Management Office (PPMO) will be set up in DARA, which will be staffed adequately with key functions necessary for the management of the Project, including but not limited to an executive Project Director; a Finance Officer and Accountant; as well as officers coordinating: Agriculture and

Agribusiness Development; Planning, M&E and Knowledge Management; Procurement; and SECAP-related work including Gender and Youth/ Social Inclusion (the "Key Project Personnel"). Similarly, County Project Management Office (CPMO) will also be set up in the specific county Bureau of Agriculture and Rural Affairs (BARA) with similar staffing structure.

8. *Project Oversight Committee.* An inter agency coordination mechanism will be established at county level to provide policy guidance and implementation oversight of the Project, as well as to ensure implementation of China's environmental and social safeguards policy. A County Vice Governor will lead the coordination and supervision through such a mechanism with members from relevant technical agencies.

9. *AWPB.* The Project will be implemented based on an AWPB which identifies the activities that will be carried out in each Fiscal Year, the Lead Project Agency, the resources, and the time needed to complete them and a procurement plan. The PPMO will consolidate the draft AWPBs prepared by each county and submit for IFAD's No Objection prior to its effectiveness.

10. *Monitoring and Evaluation.* An M&E system will be established from the outset of the project spanning the entire project cycle, for tracking progress and supporting decision-making. Key M&E deliverables required throughout the project cycle by project stage would be: Start up: recruitment of M&E service provider if PMO is not able to assume due functions by itself; assignment of M&E focal points at all levels followed by capacity building; validation of project Theory of Change (TOC) and Log frame; making M&E plan; set-up of Management Information System (MIS); undertaking Core Outcome Indicator (COI) baseline survey and reporting. Implementation: elaboration of AWPB; semi-annual and annual progress and results reports; contribution to annual supervision missions; mid-term review survey and report; training on M&E. Completion: COI completion survey and reporting; project completion report; impact assessment when required.

11. *Knowledge Management.* KM will be used both as an adaptive management tool to help the Project to build practical and actionable knowledge and know-how that lead to improved project performance and results, and supports innovation, scaling up and country-level policy engagement. The Project will ensure KM related activities are included and budgeted in the AWPBs. KM responsibilities will be assigned to focal points at PMOs of all levels, who shall orient project staff through guidance and training for KM implementation. The Project KM activities/approaches will focus on, among others: (i) capturing and documenting experiences, lessons, and successful cases resulting from project activities, especially regarding the project's innovative models and approaches that could be replicated and scaled-up, inform policy-making - or shared with other developing countries through south-south cooperation; (ii) study tours, exposure and exchange visits, both in the country and outside the country for peer learning and sharing knowledge; (iii) organizing and participating workshops to share knowledge, innovations and best practices; and (iv) well designed and operational information management systems, including electronic archives that enable easy access to data, reports and other documentation.

12. *Project Implementation Manual.* The PIM provides guidelines for implementation of the G2RDP. The PIM indicates the overall Project framework and highlights the principles of engagement for the Project; it provides a Project description detailing components, subcomponents, and activities as Project interventions in support of the Project's development objective and expected outcomes. The PIM also provides guidance on the structure and operations of the planning, monitoring, evaluation and knowledge management, policy engagement, and SSTC functions which will be put in place by the Project. The PIM is a living document that maybe amended from time to time as agreed between IFAD and the Borrower (through Gansu Province). Prior to dissemination of the PIM to counties, IFAD must provide a no-objection.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in EUR)	Percentage eligible for IFAD financing including indirect taxes as applicable
Goods, Services, Inputs & Works	79 690 000	100%
TOTAL	79 690 000	

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

“Goods, Services, Inputs & Works”: includes goods, vehicles and services as well as works and infrastructure-related expenditures.

The Percentage is applied to Project expenditures, including indirect taxes and shares of other financiers.

(c) Co-financing:

(I) “Counterpart financing” referred to in Section B, paragraph 7 of the Agreement includes the Gansu Provincial Government contribution, equivalent to one hundred twenty-one million Euros (EUR 121 000 000) for productive support, infrastructure, capacity building and project management, and the private sector contribution of five million Euros (EUR 5 000 000) for eco-friendly transformation and Operations and Maintenance of infrastructure, both in cash and / or in kind.

2. *Disbursement arrangements*

Retroactive financing.

As an exception to section 4.07 (a)(ii) of the General Conditions, specific eligible expenditures incurred after the date the Project has been approved by the IFAD Executive Board until the date of entry in force of this Agreement shall be considered eligible up to an amount equivalent to seven million nine hundred sixty-nine thousand Euros (EUR 7,969,000) for activities relating to the Project’s start-up and preparatory activities such as: (i) purchase of essential items (including equipment and procurement of MIS system) for the PMOs; (ii) recruitment of Project staff; (iii) costs related to tendering, selection, and recruitment of service providers; (iv) costs related to the finalization of the program implementation manual, customization of accounting software to fit IFAD requirements and license fees, start-up trainings and workshops; (v) establishment of the M&E system, including carrying-out of the baseline survey and development of MIS; (vi) exposure visits for knowledge and experiences sharing; (vii) surveys and feasibility studies; (viii) training and technical assistance for agribusiness entities and cooperatives, including recruitment of service providers.

Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no-objection from IFAD to be

considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.3 of the Agreement are fulfilled.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within six (6) months of entry into force of the Financing Agreement, the Project shall have identified and installed a customized accounting software as is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. *Planning, Monitoring and Evaluation.* The Borrower (through Gansu Province) shall ensure that a Planning and M&E system shall be established within twelve (12) months from the date of entry into force of this Agreement.
3. *Gender and Social Inclusion.* The Borrower (through Gansu Province) shall ensure that the Project will increase the socio-economic empowerment of rural women including young women and women in the project areas by setting an overall outreach target at 50% women and 30% youth. The Project will pay particular attention to the empowerment of women by: (i) expanding their access to and control over resources; (ii) strengthening their agency, decision making role in community affairs, and representation in local institutions; and (iii) building on their untapped potential for sustainable development
4. *Ethnic Minorities Concerns.* Where applicable and in compliance with 2021 SECAP Procedures of the Fund, the Borrower (through Gansu Province) shall ensure that the concerns and rights of ethnic minorities are given due consideration and respect in implementing the Project and, to this end, shall ensure that:
 - a. the Project is carried out in accordance with the applicable provisions of the relevant national legislation; and
 - b. ethnic minorities are adequately and fairly represented in all local planning for Project activities.
5. *Land tenure security.* If applicable, the Borrower (through Gansu Province) shall ensure that the land acquisition process and compensation processes are consistent with the 2021 SECAP Procedures of the Fund.
6. *Anticorruption Measures.* The Borrower shall comply with IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations.
7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
8. *Use of Project Equipment during Project implementation.* The Borrower (through Gansu Province) shall ensure that:
 - (a) all equipment procured under the Project is exclusively allocated for the Project implementation;

- (b) the equipment procured under the Project is appropriate to the needs of the Project; and
- (c) all equipment transferred to or procured under the Project are dedicated solely to Project use.

9. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower (through Gansu Province) shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the ICP. The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the ICP in relation to the procurement of goods, works, services, consultancy, and non-consulting services. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

10. *The Key Project Personnel is* defined in Schedule I. The Key Project Personnel shall be assigned or recruited based on qualifications, experience and terms of reference satisfactory to IFAD and in accordance with Section 7.16 of the General Conditions.

II. SECAP Provisions

1. The Project is assessed as presenting moderate environmental and social risks and moderate climate risk. In line with IFAD's SECAP requirements, the Borrower shall carry out the implementation of the project in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Framework (ESCMF), Environmental, Social and Climate Management Plan (ESCMP), Stakeholder Engagement Plan (SEP) and Free, Prior and Informed Consent (FPIC) Plan, there after called the "Management Plans", as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund. The Parties shall not amend, vary or waive any provision of the Management Plans, unless: (i) agreed in writing by IFAD and the Borrower (through Gansu Province) and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plans.

2. The Borrower (through Gansu Province) shall not, and shall cause the Lead Project Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Project affected persons have been consulted and compensated, as applicable, in accordance with the FPIC principles.

3. The Borrower (through Gansu Province) shall ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the Environmental and Social Management Plans prepared for the Project and consistent with the 2021 SECAP Procedures of the Fund.

4. In the case of serious ESHS incident, defined as a serious incident, accident, complaint with respect to environmental, social (including labor and adjacent community), health and safety (ESHS) issues that occur in the context of the loan or within the Borrower's activities. Serious ESHS incidents may involve (i) environmental; (ii) occupational; (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower¹ which(i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse

¹ For example, any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse.

attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities), the Borrower (through Gansu Province) shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

5. The Borrower (through Gansu Province) shall ensure or cause the Lead Project Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plans are respected.

6. Without limitation on its other reporting obligations under this Agreement, the Borrower (through Gansu Province) shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans on a semi-annual basis upon submission of the progress and results reports - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower (through Gansu) will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans promptly after becoming aware of such a breach.

7. In the event of a contradiction/conflict between the Management Plan and the Financing Agreement, the Financing Agreement shall prevail.