RE: Shanghai Urban Environment Project, Phase II
Loan Number 4801-CN
Amendment to Project Agreement

Mr. Yang Xiong
Mayor of Shanghai Municipality
c/o Shanghai Finance Bureau
Room 1805, No. 800, Zhaojiabang Road
Shanghai, 200030
People’s Republic of China

Dear Mr. Yang,

We refer to the Loan Agreement between the People’s Republic of China (the Borrower) and the International Bank for Reconstruction and Development (the Bank) dated October 31, 2005 (the Loan Agreement) and the Project Agreement of the same date between the Bank and Shanghai Municipality (the Project Agreement) for the Shanghai Urban Environment Project, Phase II (the Project).

We also refer to the letter dated February 24, 2014 from the Borrower’s International Department, Ministry of Finance, requesting certain amendments to the Loan Agreement relating to reallocation, increase in disbursement percentage, changes to the Parts of the Project and the Project indicators.

We are pleased to inform you that the Bank concurs with the request, and accordingly amends the Loan Agreement as provided in the letter of even date herewith from the Bank to the Borrower (the Letter of Amendment of the Loan Agreement); and the Project Agreement is amended as set forth below subsequent to the request.

1. Paragraph 11(a) of Schedule 2 is amended to read as follows (emphasis added):

   “11. Shanghai shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in the Appendix to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;”

2. The Appendix in paragraph 11(a) of Schedule 2 is set forth in the Annex to this amendment letter.

3. The supplemental letter regarding performance monitoring indicators agreed further to paragraph 11(a) of Schedule 2 to the Project Agreement is deleted.

4. New paragraphs 12 and 13 are introduced as follows in Schedule 2:
“Other Undertakings

12. By no later than June 30, 2014, Shanghai shall have updated the Subsidiary Loan Agreements with each of the Project Companies for the purpose of assisting Shanghai in carrying out of the Project activities pursuant to paragraph 6 of this Schedule.

13. By no later than June 30, 2014, Shanghai through CEAM, shall have entered into Sub-project Financing Agreements with one or more Beneficiaries, as applicable for the purpose of assisting Shanghai in carrying out of the Project activities pursuant to paragraph 12 of Schedule 3 to this Agreement.”

5. Paragraph 9 of Schedule 3 is amended to read as follows (emphasis added):

“9. SC and WSC, each, shall not to incur any debt unless a reasonable forecast of its revenues and expenditures shows that its estimated net revenues for each fiscal year during the term of the debt to be incurred shall be at least equal to its estimated debt service requirements in such year on all of its debt including the debt to be incurred.”

Except as specifically amended in this letter, all other terms and conditions of the Project Agreement shall remain in full force and effect.

Please confirm your agreement to the foregoing on behalf of the Shanghai Municipality by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. The above amendment to the Project Agreement shall become effective as of the date of this letter upon receipt by the Bank of:

(i) a duly countersigned original of this letter by the authorized representative of Shanghai Municipality; and (ii) a duly countersigned original of the Letter of Amendment of the Loan Agreement of the same date by the authorized representative of the Borrower amending the Loan Agreement.

Sincerely yours,

Klaus Rohland
Country Director, China
East Asia and Pacific Region

CONFIRMED:

SHANGHAI MUNICIPALITY

By: [Signature]
Authorized Representative
Name: Jiang Zhongqin
Title: Vice Mayor of Shanghai
Date: May 20, 2014
Mr. Yang Xiong

March 25, 2014

CC: Ms. Zou Jiayi
   Director-General
   International Department
   Ministry of Finance
   Sanlihe, Beijing 100820
   People’s Republic of China
APPENDIX
Indicators

<table>
<thead>
<tr>
<th>Outcome Indicators</th>
<th>Base Line</th>
<th>Revised End Target (2015)</th>
<th>Frequency and Reports</th>
<th>Data collection instruments</th>
<th>Responsibilities for data collection</th>
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<tbody>
<tr>
<td>Evidence of an improved effectiveness of service delivery regarding water supply and wastewater management, monitored by the number of staff per 1,000 connections for water supply and for wastewater management</td>
<td>-</td>
<td>water supply: &lt;6</td>
<td>Annual PPR.</td>
<td>PIU Reports</td>
<td>APL PMO</td>
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<td>Level of participation of the surrounding districts in the metropolitan wide measures being taken by Shanghai to improve water quality and wastewater management</td>
<td>-</td>
<td>Total of 8 surrounding districts participating in metropolitan wide initiatives.</td>
<td></td>
<td></td>
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<td>Results Indicator for Each Component</td>
<td></td>
<td></td>
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<tr>
<td>Water Supply Management</td>
<td>0</td>
<td>200</td>
<td>Semi-annual PPR.</td>
<td>SMWSC</td>
<td>APL PMO</td>
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<td>Improved drinking water service coverage and quality for the Xujing area of Qingpu District (thousand population connected and served)</td>
<td></td>
<td></td>
<td>Bank Missions.</td>
<td></td>
<td></td>
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| **Wastewater Management**  
Sewage collected and treated to discharge standard (% of North West system flow) | 60  | 80  | Same as above | SMSC Reports | APL PMO |
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<td>Wastewater sludge treated to agreed disposal standards at two WWTPs (%)</td>
<td>10</td>
<td>80</td>
<td>Same as above</td>
<td>SMSC Reports</td>
<td>APL PMO</td>
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| **District Financing Vehicle (DFV)**  
Number of sub-project agreements signed with DFV (cumulative) | 0   | 5   | Same as above | CEAM Reports | APL PMO |
| Number of DFV supported sub-projects completed (cumulative) | 0   | 5   | Same as above | CEAM Reports | APL PMO |
| **Institutional Development**  
Completed Institutional Strengthening & Training (IST) activities (cumulative) | 0   | 11  | Same as above | PIU Reports | APL PMO |