Mr. Chen Shixin  
Director-General  
International Economic  
and Financial Cooperation Department  
Ministry of Finance  
Beijing, China  

RE: China: Dioxins Reduction from Pulp and Paper Industry Project  
(Grant Number TF011898)  
Extension of Closing Date and Amendment to Grant Agreement  

Dear Mr. Chen:  

We refer to the grant agreement ("Grant Agreement"), dated May 25, 2012, as amended thereafter, between the People’s Republic of China ("Recipient") and the International Bank for Reconstruction and Development ("World Bank"), acting as an implementing entity for the Global Environment Facility, in respect of the above-mentioned project ("Project").  

We also refer to the letter from the Ministry of Finance, dated August 2018, and received on September 3, 2018, requesting the restructuring of the Project. We are pleased to inform you that the World Bank concurs with the request, and:  

(A) has established June 30, 2019 as the later date for purposes of IV.B.3 of Schedule 2 to the Grant Agreement; and  

(B) hereby proposes to amend the Grant Agreement as follows:  

1. Paragraph 4 of Part 1 of Schedule 1 to the Grant Agreement is deleted in its entirety and replaced by the following:  

   “4. Provision of technical assistance to Selected Mills for the development of BAT/BET investment plans.”  

2. Paragraph 2 of Section I.F of Schedule 2 to the Grant Agreement is deleted in its entirety and replaced by the following:  

   “2. The Recipient shall, through MEP, cause FECO to: (a) formulate a national action plan to promote BAT/BEP for both wood and non-wood based production in the paper and pulp sector in China no later than December 31, 2018, or such later date as the Bank may agree; and (b) take all measures and actions, as may be necessary or required, in
order to facilitate its adoption and implementation in a manner satisfactory to the World Bank.”

3. A new Part G is inserted in Section I of Schedule 2 to the Grant Agreement to read as follows:

“G. Technical Assistance Sub-grants

1. For the purposes of carrying out the activities under Part 1.4 of the Project, the Recipient, through FECO, shall provide Technical Assistance Sub-grants to Selected Mills, in accordance with eligibility criteria and procedures acceptable to the World Bank and set out in the Project Implementation Manual.

2. The Recipient, through FECO, shall provide each Technical Assistance Sub-grant under a Technical Assistance Sub-grant Agreement with the respective Selected Mill, on terms and conditions approved by the World Bank and set out in the Project Implementation Manual.

3. The Recipient, through FECO, shall, through each Technical Assistance Sub-grant Agreement, obtain rights adequate to protect its interests and those of World Bank, including the right to:

(a) suspend or terminate the right of the Selected Mill to use the proceeds of the Technical Assistance Sub-grant, or obtain a refund of all or any part of the amount of the Technical Assistance Sub-grant then withdrawn, upon the Selected Mill’s failure to perform any of its obligations under the Technical Assistance Sub-grant Agreement; and

(b) require each Selected Mill to:

(i) carry out its supported activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, the ESMF, the EMPs, and the Project Implementation Manual;

(ii) provide, promptly as needed, the resources required for the purpose of carrying out the activities under Part 1.4 of the Project;

(iii) as appropriate, procure or use the goods and services to be financed out of the Technical Assistance Sub-grant, in accordance with the provisions of this Agreement;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the supported activities and the achievement of their objectives;

(v) ensure that the terms of reference for any consultancies related to studies, assessments, regulations, technical guidelines, training and technical assistance
activities under Part 1.4 of the Project shall be satisfactory to the Recipient and the World Bank and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank's safeguard policies then in force, as applied to the advice conveyed through such studies, assessments, regulations, technical guidelines, training and technical assistance activities.

(vi) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the supported activities; and (B) at the Recipient's, the World Bank's or the respective Project Province's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient, the World Bank or the respective Project Province;

(vii) enable the Recipient, the World Bank or the respective Project Province to inspect the supported activities and any relevant records and documents; and

(viii) prepare and furnish to the Recipient, the World Bank or the respective Project Province all such information as the Recipient, the World Bank or the respective Project Province shall reasonably request relating to the foregoing.

4. The Recipient, through FECO, shall: (a) exercise its rights under each Technical Assistance Sub-grant Agreement, in such manner as to protect the interests of the Recipient, the World Bank or the respective Project Province and to accomplish the purposes of the Grant; and (b) maintain, throughout the period of implementation of the Project, a grievance redress mechanism acceptable to the World Bank and set out in the Project Implementation Manual, to address any complaints associated with the Technical Assistance Sub-grants. Except as the Recipient, through FECO, and the World Bank shall otherwise agree, the Recipient, through FECO, shall not assign, amend, abrogate or waive any Technical Assistance Sub-grant Agreement, or any of their provisions.

5. In the event of any inconsistency between the provisions of the Technical Assistance Sub-grant Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

4. Section III.C of Schedule 2 to the Grant Agreement is deleted in its entirety and replaced by the following:

"C. Particular Methods of Procurement of Consultants' Services under Parts 1.2, 1.3, 1.4, 2, 3 &4 of the Project

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 and 3 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection."
2. **Other Methods of Procurement of Consultants' Services under Part 1.4 of the Project.** Consultants' services under Part 1.4 of the Project shall be procured in accordance with procedures and arrangements acceptable to the World Bank, including those set out in the Project Implementation Manual.

3. **Other Methods of Procurement of Consultants' Services under Parts 1.2, 1.3, 2, 3 and 4 of the Project.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (e) Selection of Individual Consultants; and (f) Single Source Procedures for the Selection of Individual Consultants."

5. The withdrawal table set forth in paragraph 2 of Section IV.A of Schedule 2 to the Grant Agreement is deleted in its entirety and replaced by the table set forth in Annex 1 to this letter.

6. All references to “MEP” are deleted and replaced by “MEE”, item number (16) of the Appendix to the Grant Agreement is revised to read as follows:

   “16. “MEE” means Ministry of Ecology and Environment of the Recipient which is the designated national lead implementing agency for all activities related to the reduction of persistent organic pollutants and for implementation of the Stockholm Convention.”

7. Items number (35), (36) and (37) are added in the Appendix to the Grant Agreement to read as follows:

   “35. “Selected Mills” means collectively the mills, that have demonstrated their willingness to participate in the Project, and selected in accordance with criteria satisfactory to the World Bank; and “Selected Mill” means individually any such Mill.

   36. “Technical Assistance Sub-grant” means a grant to be provided out of the proceeds of the Grant by the Recipient, through FECO to Selected Mill, pursuant to a Technical Assistance Sub-grant Agreement, for the purposes of financing services for activities under Part 1.4 of the Project; and the term “Technical Assistance Sub-grants” means all such Technical Assistance Sub-grants to Selected Mills.

   37. “Technical Assistance Sub-grant Agreement” means each agreement to be entered into between FECO and Selected Mill providing for a Technical Assistance Sub-grant, as provided for in Section I.G of Schedule 2 to this Agreement.”

Except as specifically amended in accordance with the provisions of the above paragraphs, all terms and conditions of the Grant Agreement otherwise remain in full force and effect.

Please note that it is the World Bank’s policy to make publicly available this letter of amendment and any information related thereto, after this letter of amendment has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this letter of amendment, confirms its consent to such disclosure.
Please confirm your agreement to the amendments proposed under paragraph (B) above on behalf of the Recipient by signing and dating the form of confirmation set forth below, and returning one fully countersigned original of this amendment letter to us and retaining one original for your records. This amendment letter shall become effective as of the date of the countersignature (except for the provision related to the extension of the Closing Date under paragraph (A) above, which shall become effective upon dispatch of this amendment letter to the Recipient), upon receipt by the World Bank of a duly countersigned original of this letter by the authorized representative of the Recipient.

Yours Sincerely,

[Signature]

Bert Hofman  
Country Director, China

CONFIRMED:  
PEOPLE'S REPUBLIC OF CHINA

By:  
Authorized Representative

Name: Wang Zhongqing

Title: Deputy Director General  
International Economic and Financial Cooperation Department

Date: 2018.10.9
ANNEX

Revised Withdrawal Table

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Goods, non-consulting services, consultants' services, Training; workshops and Incremental Operating Costs</td>
<td>5,615,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Sub-grants for Mill BAT/BEP Investment Plans</td>
<td>8,385,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Technical Assistance Sub-grants</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,000,000</td>
<td></td>
</tr>
</tbody>
</table>
Cc:

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Mr. Peng Xiang, Deputy Director
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