Project Agreement

(Ningxia Desertification Control and Ecological Protection Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NINGXIA HUI AUTONOMOUS REGION

Dated July 20, 2012
PROJECT AGREEMENT

AGREEMENT dated July 20, 2012, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and NINGXIA HUI AUTONOMOUS REGION (“Ningxia” or “Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of the same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank. The Bank and Ningxia hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in Appendix 1 to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II – PROJECT

2.01. Ningxia declares its commitment to the objective of the Project. To this end, Ningxia shall:

(a) carry out and cause the Project to be carried out in accordance with the provisions of Article V of the General Conditions; and

(b) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank shall otherwise agree, Ningxia shall carry out the Project or shall cause the Project to be carried out in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

3.01. Ningxia’s Representative is its Chairman or Vice-Chairman or such other person or persons as the Chairman or Vice-Chairman shall designate in writing.
3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)

3.03. Ningxia’s Address is:

Ningxia Hui Autonomous Region
Finance Department
416 Jiefang Xijie Yinchuan
Ningxia
People’s Republic of China

Facsimile: 086 951 5069333

AGREED at Beijing, People’s Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Authorized Representative

NINGXIA HUI AUTONOMOUS REGION

By
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Project Management

1. Ningxia shall, with respect to the organizational structure established by it with the agreement of the Bank for the purpose of implementing the Project, maintain, and cause to be maintained, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:

(a) the Regional Leading Group chaired by the Chairman of Ningxia, comprising all relevant agencies of Ningxia and responsible for liaising with central government agencies concerning the Project and providing overall oversight policy guidance;

(b) the Regional Project Management Office in the International Forestry Cooperation Center of the Ningxia Forestry Bureau and responsible for the overall coordination and supervision of Project activities, monitoring and evaluation, and reviewing and consolidating all progress, financial, and procurement reporting for the Project;

(c) a County Project Management Office in each of the Project Counties located within the respective forestry bureau and responsible for day-to-day Project management, implementation, supervision and monitoring at the respective County level as well as reporting on progress and implementation issues to the Regional Project Management Office referred to in clause (b) above; and

(d) an Expert Working Group working under the Regional Project Management Office referred to in clause (b) above consisting of qualified and experienced specialists in fields relevant for the Project to provide technical guidance support.

B. Anti-Corruption

Ningxia shall and shall cause the Project Counties to carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.
C. **Implementation; Social and Environment Protection**

Ningxia shall apply and cause the Project Counties to apply in the implementation of the Project, the Project Implementation Manual, in an efficient and timely manner satisfactory to the Bank. Ningxia shall not amend, suspend, or waive said Project Implementation Manual or any provision thereof, without the prior concurrence of the Bank.

2. Ningxia shall in carrying out the Project implement and cause the Project Counties to implement the Process Framework, the EPG (including, measures for avoidance of or mitigation against adverse impact on natural habitats or physical cultural resources), and the PMP in a manner satisfactory to the Bank, ensure that the Project is implemented in accordance with sound environmental and pesticide management practices and standards, and where applicable, shall avoid or mitigate against adverse impact on natural habitats and physical cultural resources.

3. Ningxia shall: (a) carry out measures satisfactory to the Bank for improving the living standard of Project Affected Persons impacted by the implementation of the Project in accordance with the provisions of the Process Framework; (b) engage and retain the services of independent consultants to carry out external monitoring and reporting, on an annual basis, under terms of reference satisfactory to the Bank, of compliance with the implementation of the Process Framework; (c) provide to the Bank copies of written reports of findings and recommendations prepared by said consultants within thirty (30) days of completion of each annual monitoring detailing the progress in the implementation of the Process Framework as well as the measures, if any, to be taken to improve compliance with the implementation thereof; and (d) implement the recommended measures in a prompt and efficient manner satisfactory to the Bank, in order to improve compliance with the Process Framework.

4. Ningxia shall take or cause to be taken all such action as shall be necessary in the implementation of the Project to protect cultural heritage sites in the relevant area of influence of the Project in accordance with arrangements and procedures satisfactory to the Bank.

5. (a) Ningxia shall: (i) furnish to the Bank a consolidated annual implementation plan, by September 15 in each year, beginning on September 15, 2012, based on individual plans prepared by each Project County (I) summarizing the implementing status of the Project to date, including those under the Project Implementation Manual, the Process Framework, the EPG and the PMP; (II) setting out the activities to be undertaken in the following calendar year for implementing the Project, including training and other activities drawn from the Project
Implementation Manual, the Process Framework, EPG and the PMP as well as budget and other resources required in respect thereof; (ii) taking into account the Bank's comments, finalize and provide to the Bank said annual implementation plan for the following calendar year satisfactory to the Bank; and (iii) thereafter implement and cause the project Counties to implement the Project in accordance with, inter alia, said annual implementation plan and in a manner satisfactory to the Bank.

(b) Without limitation to any other provision of this Agreement, Ningxia shall, during calendar year 2012, carry out the Project in accordance with, inter alia, the annual implementation plan for said year agreed to with the Bank, and in a manner satisfactory to the Bank.

6. Ningxia shall not amend, suspend, fail to enforce or waive the Process Framework, the EPG, the PMP or any annual implementation plan referred to in paragraph 5 hereof, or any provision of any such plan. In the case of any inconsistency or conflict between the provisions of the Process Framework, the EPG, or the PMP with this Agreement or the Loan Agreement, the provisions of this Agreement and the Loan Agreement shall prevail.

7. Ningxia shall cause the Project Counties: (a) to carry out plantation and vegetation rehabilitation activities under Parts A and B of the Project in the Selected Areas in accordance with design criteria, treatment models, and technical standards satisfactory to the Bank, including those set out in the Project Implementation Manual; (b) to coordinate the planning and phasing of all required preparatory activities in an appropriate sequence so that plantation works under Parts A and B of the Project may be implemented in a timely manner from the beginning of the plantation season in each year, including timely completion of detailed design for the plantation works, provision of funds, early information dissemination to nurseries of the seedling and seed requirements for the plantation works, and the selection and mobilization of contractors, all in accordance with procedures set out in the Project Implementation Manual; (c) establish and implement arrangements, satisfactory to the Bank, to ensure that the plantation works carried out under the Project are appropriately guarded, secured and maintained in order to protect their sustainability; and (d) to develop and implement long-term land management arrangements in the Selected Areas under procedures, arrangements and timeframe satisfactory to the Bank.
8. Ningxia shall, periodically, carry out market analysis of the local straw markets under terms of reference and timeframe, satisfactory to the Bank, in order to monitor price developments and any market distortions from the extensive procurement of straw required for the construction of checker boards under Part A of the project, and provide the reports of such analysis to the Bank promptly after their completion. In the event that these reports indicate any significant impacts on local straw markets, Ningxia shall take measures to address such impacts in a manner satisfactory to the Bank.

9. Ningxia shall cause the Project Counties to take all necessary actions as required in order to enable Ningxia to fulfill its obligations under this Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Ningxia shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in Annex A to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by March 15 and September 15 each year, beginning on March 15, 2013.

2. Ningxia shall, not later than June 15, 2015; review with the Bank (mid-term review) the progress made in the implementation of the Project, and, based on any recommendation of the Bank, adopt and carry out measures, satisfactory to the Bank, to ensure the efficient completion of the Project and to achieve the objective thereof.

B. Financial Management, Financial Reports and Audits

1. Ningxia shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.

2. Ningxia shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of Ningxia. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.
3. Without limitation on the provisions of Part A of this Section, Ningxia shall prepare and furnish to the Bank as part of the Project Reports by not later than March 15 and September 15 in each year after the end of each calendar semester, interim un-audited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Bank.

4. Ningxia shall apply the Financial Management Manual and the Procurement Manual in a manner satisfactory to the Bank in implementing the Project for, inter alia, monitoring the entire procurement process and the financial transactions under the Project.

Section III. **Procurement**

All works, goods and services required for the Project to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.
### Annex A to Schedule

**Performance Monitoring Indicators**

<table>
<thead>
<tr>
<th>Project Development Objective Results Indicators</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Frequency</th>
<th>Data Source/ Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator One: Project areas, where desertification is controlled</strong></td>
<td>□</td>
<td>ha</td>
<td>0</td>
<td>0 0 8,000 0 30,000</td>
<td>Mid-term, end-project</td>
<td>Field Survey</td>
<td>Ningxia Forestry Design and Planning Institute</td>
<td>Results can only be judged 3 years after control measures implemented</td>
</tr>
<tr>
<td><strong>Indicator Two: Value of infrastructure and farmland protected by project investments</strong></td>
<td>□</td>
<td>US$ (billion)</td>
<td>0</td>
<td>0 0 7.5 0 30</td>
<td>Mid-term, end-project</td>
<td>Field Survey</td>
<td>Regional Project Management Office(RPMO)/ Ningxia Forestry Design and Planning Institute</td>
<td></td>
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</tbody>
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**INTERMEDIATE RESULTS**

**Intermediate Result (Part A): Controlling Desertification and Degradation**

| Intermediate Result indicator One: Sand areas reaching shrub vegetation cover above 30% | □    | ha             | 0        | 0 0 2,500 0 10,000       | Mid-term, end-project | Field Survey             | Ningxia Forestry Design and Planning Institute | |
| Intermediate Result indicator Two: Closed areas reaching a vegetation cover of over 30% | □    | ha             | 0        | 0 0 5,000 0 17,000       | Mid-term, end-project | Field Survey             | Ningxia Forestry Design and Planning Institute | |
| Intermediate Result indicator Three: Project area of degraded land restored with trees and shrubs with a cover of over 40% | □    | ha             | 0        | 0 0 500 0 3,000          | Mid-term, end-project | Field Survey             | Ningxia Forestry Design and Planning Institute | |
| Intermediate Result indicator Four: No. of Households | □ No. | 0              | 0 50 100 | 200 300                 | Mid-term, end-project | Project Reporting        | RPMO                                  | |

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1 Desertification is considered controlled by a vegetation cover of over 30% on moving sand dunes, and a shrub/tree cover of over 30% on degraded arid and semi-arid land combined with a full protection from livestock grazing.
### Intermediate Result (Part B): Shelter Belt Plantation Protecting Key Farmland and Infrastructure

<table>
<thead>
<tr>
<th>Intermediate Result indicator</th>
<th>Mid-term, end-project</th>
<th>Project Reporting</th>
<th>RPMO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One: Areas of farmland protected under project</strong></td>
<td>ha</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Two: Road and railway infrastructure protected</strong></td>
<td>km</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Intermediate Result (Part C): Project management, capacity building and M&E

<table>
<thead>
<tr>
<th>Intermediate Result indicator</th>
<th>Project Reporting</th>
<th>RPMO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One: Client days of training provided.</strong></td>
<td>Person times</td>
<td>0</td>
</tr>
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</table>