Mr. Zeng Yichun  
Vice-Chairman  
Ningxia Hui Autonomous Region  
People’s Republic of China  

RE: China: Ningxia Desertification Control and Ecological Protection Project  
(Ln. No. 8159-CN)  
Amendment to Project Agreement

Dear Mr. Zeng:

We refer to the Loan Agreement (the Loan Agreement) dated July 20, 2012 between the People’s Republic of China (the Borrower) and the International Bank for Reconstruction and Development (the Bank) and the Project Agreement (the Project Agreement) of the same date between the Bank and Ningxia Hui Autonomous Region, both for the above-referenced project (the Project), as amended thereof.

We also refer to the letter from the Ministry of Finance, dated February 26, 2016, requesting the restructuring of the Project, which requires certain amendments to the Loan Agreement and the Project Agreement. We are pleased to inform you that the Bank concurs with the request, and accordingly amends the Project Agreement as set forth below:

I. Part D is added to Section I of the Schedule to the Project Agreement to read as follows:

“D. Output-based Grants

1. For the purposes of carrying out activities under Part A (b) of the Project, Ningxia shall cause each Project County to make Output-based Grants to Beneficiaries within its respective jurisdictions in accordance with eligibility criteria and procedures acceptable to the Bank and set out in the Project Implementation Manual.

2. Each Project County shall make the Output-based Grants to Beneficiaries under an Implementation Agreement with the respective Beneficiary on terms and conditions approved by the Bank and set out in the Project Implementation Manual.

3. Each Project County, through each Implementation Agreement, as the case may be, shall obtain rights adequate to protect its interests and those of the Borrower and the Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Output-based Grant, or obtain a refund of
all or any part of the amount of the Output-based Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Implementation Agreement; and (ii) require each Beneficiary to: (A) carry out its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 Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, the Project Implementation Manual, the EPG, the PMP, and the Process Framework; (B) provide, promptly as needed, the resources required for the purpose; (C) as appropriate, procure or use the goods, works and services to be financed out of the Output-based Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the supported activities and the achievement of their objectives; (E) (1) 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 supported activities; and (2) at the Bank’s or the Borrower’s or Ningxia’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and Ningxia; (F) enable the Borrower, the Bank and Ningxia to inspect the supported activities and any relevant records and documents; and (G) prepare and furnish to the Borrower, the Bank and Ningxia all such information as the Borrower or the Bank or Ningxia shall reasonably request relating to the foregoing.

4. Each Project County shall exercise its rights under each Implementation Agreement in such manner as to protect the interests of the Borrower, the Bank and Ningxia and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree, Ningxia shall not assign, amend, abrogate or waive any Implementation Agreement or any of its provisions.”

II. Paragraph 1 of Section II.A of the Schedule to the Project Agreement is deleted in its entirety and replaced by the following:

“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 the Results Framework. 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.”

III. Annex A to the Schedule to the Project Agreement is deleted in its entirety.

Except as specifically amended in this letter, all other terms and conditions of the Project Agreement shall remain in full force and effect. The Loan Agreement is similarly being amended as reflected in an amendment letter to the Loan Agreement of even date herewith.
Please confirm your agreement to the foregoing on behalf of Ningxia Hui Autonomous Region by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. This amendment letter shall become effective as of the date of the last countersignature of the two amendment letters (including this one) prepared further to the above-mentioned request, upon receipt by the Bank of: (a) a duly countersigned original of this letter by the authorized representative of Ningxia Hui Autonomous Region; and (b) a duly countersigned original of the amendment letter to the Loan Agreement by the authorized representative of the Borrower.

Yours sincerely,

[Signature]

Bert Hofman
Country Director, China

CONFIRMED:
NINGXIA HUI AUTONOMOUS REGION

By: [Signature]
Authorized Representative

Name: [Signature]
Title: 自治区副主席
Date: 2016.3.26.
Cc:
Mr. Yang Yuanjie, Acting Director
Mr. Peng Xiang, Deputy Director
IFI Division 1
International Economic and Financial Cooperation Department
Ministry of Finance
Emails: yangyuanjie@mof.gov.cn; dennisfx@163.com

Mr. Li Junyuan, Director
Mr. Feng Baoshan, Director
Foreign Loans Division
Foreign Capital Utilization Department
National Development and Reform Commission
Emails: lijy@ndrc.gov.cn; fengbsh@126.com;

Ms. Feng Ling, Director
Foreign Debt Division
Ningxia Finance Department
Email: nxwzb@vip.163.com

Mr. Ren Ke, Director
Foreign Capital Utilization Division
Ningxia Regional Reform and Development Commission
Email: gwzjlyc@163.com

Mr. Li Zhigang, Director
International Cooperation Project Center
Ningxia Forestry Department
Email: lizhigang8376@163.com