Mr. Cheng Zhijun  
Acting Director-General  
and Financial Cooperation Department  
Ministry of Finance  
Beijing, China

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

Dear Mr. Cheng:

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 Loan Agreement as set forth below:

1. Paragraphs (a) and (b) of Part A of Schedule I to the Loan Agreement are deleted in their entirety and replaced by the following:

   (a) **Moving Sand Stabilization.** Carrying out a program to halt the movement of shifting sand dunes and prevent encroachment of shifting sand onto agricultural land, settlements and infrastructure through, inter alia, the establishment of straw checker boards combined with the seeding and planting of indigenous shrub and grass on moving and semi-moving sand dune areas in Ningxia, and implementing fire control measures, including the construction of fire breaking tracks and passage routes, watch towers, and small buildings for technical staff and workers, information boards and warning signs.

   (b) **Degradation Control and Re-vegetation.** Carrying out a program to control and reverse degradation of arid and semi-arid shrubland and steppe areas through, inter alia, closing, protecting and managing for natural re-vegetation degraded arid and semi-arid areas, shrub planting and assisted vegetation restoration, including construction of access tracks serving as fire breaks, watch
towers and other infrastructure required to manage and monitor the rehabilitated areas.”

2. Part B of Schedule 1 to the Loan Agreement is deleted in its entirety and replaced by the following:

“Carrying out a program to protect key farmland and infrastructure from desertification and sand encroachment through, inter alia, the establishment of multi-layer and multistorey tree and shrub shelterbelts along roads, irrigation canals and around agricultural fields and fruit orchards in selected locations, including installing supplemental irrigation systems to ensure the successful establishment of shelterbelt plantings.”

3. Paragraph 1 of Section II.A of Schedule 2 to the Loan Agreement is deleted in its entirety and replaced by the following:

“The Borrower shall monitor and evaluate and shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Results Framework. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than March 15 and September 15 in each year, beginning on March 15, 2013.”

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

“Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan.

**Procurement Methods**

<table>
<thead>
<tr>
<th>(a) National Competitive Bidding:</th>
</tr>
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<tbody>
<tr>
<td>In addition, the procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People's Republic of China promulgated by Order No.21 of the President of the People's Republic of China on August 30, 1999, with the following clarifications required for compliance with the Procurement Guidelines:</td>
</tr>
</tbody>
</table>
| (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except for civil works contracts that are estimated to cost less than $2,000,000 equivalent each and goods contracts that are estimated to cost less than $300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the
deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

(ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.

(iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.

(iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower or the Project Implementing Entity (Ningxia), as the case maybe, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.

(v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.

(vi) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

(vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.

(viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower or the Project Implementing Entity (Ningxia), as the case maybe.

(ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

(x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

(xi) Government owned enterprises in the Borrower's country may be permitted to bid or submit a proposal of goods and works if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law; and (C) are not a dependent agency of the agency conducting the procurement.

(xii) Re-bidding should not be allowed solely because the number of bids is less than three (3) and, rejection of all bids or rebidding shall not take place without the Bank's prior written concurrence.

(xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press or official gazette or a free and open
access website and shall identify the name and offered price of the winning bidder, as well as the duration and summary scope of the awarded contract.

(xiv) The Project Implementing Entity (Ningxia) shall have in place provisions for bidders to protest.

(b) Shopping

(c) Community Participation procedures which have been found acceptable to the Bank, as set forth in the Project Implementation Manual.

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

6. Paragraph 2 of Section IV.B of Schedule 2 to the Loan Agreement is amended to read as follows:

"2. The Closing Date is **March 31, 2019**."

7. Item (16) to the Appendix to the Loan Agreement is deleted in its entirety and replaced by the following:

"16. “Project Counties” means collectively the following seven administrative areas of Ningxia selected by Ningxia in accordance with criteria and procedures satisfactory to the Bank for carrying out the Project as set out in the Project Implementation Manual: Lingwu City; Litong District; Qingtongxia City; Yanchi County; and Zhongwei City; and "Project County" means individually any such area.”

8. Items (21), (22), (23), and (24) are added to the Appendix to the Loan Agreement as follows:

"21. “Beneficiary” means an eligible village or household, that meets the criteria set out in the Project Implementation Manual and which has received or will receive an Output-based Grant under Part A (b) of the Project.

22. “Implementation Agreement” means each agreement to be entered into between a Project County and a Beneficiary providing for an Output-based Grant under Part A (b) of the Project, as provided in paragraph 3, Part D, Section I of the Schedule to the Project Agreement.

23. “Output-based Grant” means a grant to be provided out of the proceeds of the Loan to a Beneficiary under Part A (b) of the Project, for the purposes of financing works, non-consulting services and goods under an agreed work plan and budget as set out in the Implementation Agreement to be entered into between such Beneficiary and the relevant Project County as provided for in Part E of Section I of the Schedule to the Project Agreement.
24. "Results Framework" means the Borrower’s framework, dated February 26, 2016, and agreed with the Bank, setting forth the indicators and targets for purposes of monitoring and evaluation of the progress of the Project, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes, appendices, or schedules to such framework."

Except as specifically amended in this letter, all other terms and conditions of the Loan Agreement shall remain in full force and effect. The Project Agreement is similarly being amended as reflected in an amendment letter to the Project Agreement of even date herewith.

Please confirm your agreement to the foregoing on behalf of the Borrower 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 the Borrower; and (b) a duly countersigned original of the amendment letter to the Project Agreement by the authorized representative of Ningxia Hui Autonomous Region.

Yours sincerely,

Bert Hofman
Country Director, China

CONFIRMED:

PEOPLE’S REPUBLIC OF CHINA

By: 
Authorized Representative

Name: 

Title: 副司长

Date: 3.25.2016
### ANNEX

#### Revised Withdrawal Table

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works, non-consulting services and goods (other than Part A (c) of the Project)</td>
<td>75,540,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Consultants’ services, Training and Incremental Operating Costs</td>
<td>2,120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>(5) Civil works and goods under Part A (c) of the Project</td>
<td>2,140,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>80,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
Cc:
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