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**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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May 27, 2014

Mr. Peng Hao  
Governor, Qinghai Province  
Project Management Office of Xining Flood & Watershed Management Project  
Xining Water Affairs Bureau  
No.9 Wusidajie Street  
Xining, Qinghai 810001  
People's Republic of China

RE: Xining Flood and Watershed Management Project  
Loan Number 7712-CN  
Amendment to Project Agreement

Dear Sir:

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 August 11, 2009, (the Loan Agreement) and the Project Agreement of the same date between the Bank and Qinghai Province, (the Project Agreement) for the Xining Flood and Watershed Management Project (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, results framework and extension of closing date.

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.

Annex 1 is amended to read as set forth in the Annex to this amendment letter.

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 Qinghai Province 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

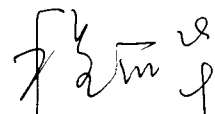
authorized representative of Qinghai Province; and (ii) a duly countersigned original of the Letter of Amendment of the Loan Agreement of the same date by the authorized representative of the Borrower.

Yours sincerely,



Mara Warwick  
Acting Country Director, China  
East Asia and Pacific Region

CONFIRMED:  
**QINGHAI PROVINCE**

By:   
Authorized Representative  
Name: Cheng Lihua  
Title: Vice-governor  
Date: 17 June, 2014

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

**ANNEX 1**

**Results Framework**

| <b>PDO</b>   | <b>Project Outcome Indicators</b>  | <b>Use of Project Outcome Information</b>   |
|--|--|---|
| <p>Improve the protection of property and safety of people from flood events and bring about sustainable utilization of land and water resources within Xining Municipality through the provision of a greater level of flood protection and enhanced flood management; improved wastewater collection; improved soil and water conservation in catchments; and institutional strengthening and capacity building.</p> | <p>KPI 0.1: The number of population protected from flooding reaches 426,300 by the end of project completion.<br/>                     KPI 0.2: The annual reduction of urban wastewater directly discharged into rivers in Xining totals 2.38 million tons by the of project completion<br/>                     KPI 0.3: The annual reduction of soil erosion amounts to 898,000 tons by the of project completion</p>  | <p>Track annual progress in achieving PDO and recommend adjustment in flood and watershed management to improve project quality, efficiency, and sustainability</p> |
| <b>Intermediate Outcomes</b>   | <b>Intermediate Outcome Indicators</b>   | <b>Use of Intermediate Outcome Monitoring</b>   |
| <p>Outcome 1: Improvement of flood control capacity and protection of human life and property in Xining city and three counties</p>  | <p>KPI 1.1: Proportion of the length of dikes built or rehabilitated to that planned.<br/>                     KPI 1.2: The proportion of the landscapes and green belts created<br/>                     KPI 1.3: Completion of the flood warning and forecasting system in Xining and three counties.<br/>                     KPI 1.4: The area protected from flooding.<br/>                     KPI 1.5: The total economic value of the areas protected from flooding.</p> | <p>Track progress and make changes in the project if necessary during implementation</p>  |
| <p>Outcome 2: Reduction of sewage discharge into rivers</p>  | <p>KPI 2.1: Length of wastewater collection networks built/upgraded.<br/>                     KPI 2.2: Percentage of wastewater collected by the network.</p>  | <p>Track progress and make changes in the project if necessary during implementation</p>  |
| <p>Outcome 3: Strengthening the capacity for sustainable management and development of watersheds</p>  | <p>KPI 3.1: Proportion of the area applied soil erosion reduction and water conservation measures</p>  | <p>Track progress and make changes in the project if necessary during implementation</p>  |
| <p>Outcome 4: Capacity building of project management and implementation</p>   | <p>KPI 4.1: Number of project staff trained.<br/>                     KPI 4.2: Number of farmers who attend skills training organized by the project.</p>  | <p>Track progress and make changes in the project if necessary during implementation</p>  |

| Indicators | Definition  | Computation Method and/or Formula   |
|------------|---|---|
| KPI 0.1    | <p>Population protected from flooding.</p> <p>The population protected from flooding under the 1:100 flood protection standard in Xining, under the 1:50 standard in Datong and Huangyuan counties, and under the 1:30 standard in Huangzhong County.</p>   | <p>Draw on contour maps the areas protected from 1:100 floods in Xining and from 1:50 floods Datong and Huangyuan counties and 1:30 floods in Huangzhong County and then count the population living in the protected areas according to the census and population growth.</p>                          |
| KPI 0.2    | <p>Reduction of urban wastewater directly discharged into rivers in Xining.</p> <p>Urban wastewater includes both domestic and industrial wastewater generated in project areas. The total amount directly discharged to rivers is measured.</p>  | <p>According to the actual measure of the wastewater collected by the wastewater collection systems built by the project or the increase in wastewater flows measured at the inlet of wastewater treatment plants which receive wastewater from wastewater collection systems built by the project.</p> |
| KPI 0.3    | <p>Reduction of soil erosion by the of project completion</p> <p>Soil erosion is when the soil is blown away by the wind or washed away by the rain</p> <p>The reduction will be achieved through project interventions such as vegetation recovery, tree planting, terracing and structures (check dams)</p> | <p>Based line survey to determine the current level of erosion. Periodic surveys/investigation by PMO to monitor the reduction of soil erosion level as a result of project intervention.</p>   |

**Arrangements for Results Monitoring**

| Indicators of Project Output   | Target Values |      |       |       |       |       |       |       | Data Collection and Reporting |                             |                                    |
|--|---------------|------|-------|-------|-------|-------|-------|-------|-------------------------------|-----------------------------|------------------------------------|
|  | Baseline 2008 | 2009 | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | Frequency and Reports         | Data Collection Instruments | Responsibility for Data Collection |
| KPI 0.1: The number of population protected from flooding reaches 414,300 persons by the end of project completion. (1,000 persons)                            | 0             | 43.1 | 141.3 | 231.6 | 317.3 | 345.2 | 405   | 426.3 | Annual                        | Annual report               | Water Resources Bureau /PMO        |
| KPI 0.2: The annual reduction of urban wastewater directly discharged into rivers in Xining totals 2.38 million tons by the of project completion (1,000 tons) | 0             | 363  | 518   | 750   | 1,453 | 1,956 | 2,266 | 2,385 | Annual                        | Annual report               | Water Resources Bureau /PMO        |
| KPI 0.3: The annual reduction of soil erosion amounts to 898,000 tons by the of project completion (1,000 tons)  | 0             | 144  | 431   | 647   | 802   | 898   | 898   | 898   | Annual                        | Annual report               | Water Resources Bureau /PMO        |
| <b>Indicators of intermediate result</b>   |               |      |       |       |       |       |       |       |                               |                             |                                    |
| KPI 1.1: Proportion of dikes constructed or rehabilitated (%)  | 0             | 22   | 40    | 68    | 91    | 93    | 95    | 100   | Annual                        | Annual report               | Water resources bureau/PMO         |
| KPI 1.2: The proportion of the landscapes and green belts created  | 0             | 11   | 29    | 40    | 72    | 83    | 90    | 100   | Annual                        | Annual report               | Water resources bureau/PMO         |

|  |             |             |             |             |                    |                    |           |           |        |               |                            |
|--|-------------|-------------|-------------|-------------|--------------------|--------------------|-----------|-----------|--------|---------------|----------------------------|
| KPI 1.3: Completion of the flood warning and forecasting system in Xining and three counties.      | Not started | Not started | Not started | Not started | Under construction | Under construction | Completed | Completed | Annual | Annual report | Water resources bureau/PMO |
| KPI 1.4: The area protected from flooding (km <sup>2</sup> )                                       | 0           | 7.84        | 12.84       | 21.06       | 28.84              | 33.27              | 33.98     | 35.77     | Annual | Annual report | Water resources bureau/PMO |
| KPI 1.5: The total economic value of the areas protected from flooding (RMB million)               | 0           | 1,140       | 2,070       | 3,440       | 4,650              | 5,310              | 5,425     | 5,710     | Annual | Annual report | Water resources bureau/PMO |
| KPI 2.1: Length of wastewater collection networks built/upgraded (km).                             | 0           | 1.3         | 17.4        | 8.3         | 24.35              | 19.25              | 11.19     | 4.31      | Annual | Annual report | Water resources bureau/PMO |
| KPI 2.2: Percentage of wastewater collected by the network (%)                                     | 0           | 1.8         | 25.8        | 37.4        | 72.4               | 82                 | 95        | 100       | Annual | Annual report | Water resources bureau/PMO |
| KPI 3.1: Proportion of the area applied soil erosion reduction and water conservation measures (%) | 0           | 16          | 48          | 72          | 90                 | 95                 | 100       | 100       | Annual | Annual report | Water resources bureau/PMO |
| KPI 4.1: Number of project staff trained each year (persons / year)                                | 0           | 472         | 496         | 536         | 542                | 282                | 0         | 0         | Annual | Annual report | Water resources bureau/PMO |
| KPI 4.2: Number of farmers who attend skills training each year (persons / year)                   | 0           | 560         | 560         | 700         | 525                | 350                | 0         | 0         | Annual | Annual report | Water resources bureau/PMO |