

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7712-CN

Loan Agreement

(Xining Flood and Watershed Management Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 11, 2009

LOAN AGREEMENT

AGREEMENT dated August 11, 2009, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to one hundred million Dollars (\$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower’s Representative is the Minister of Finance.
- 5.02. The Borrower’s Address is:

Ministry of Finance
Sanlihe
Beijing 100820

People's Republic of China

Facsimile:

(86-10) 68 55 11 25

5.03. 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 address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

PEOPLE'S REPUBLIC OF CHINA

By: /s/ Zheng Xiaosong
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Elaine Sun
Authorized Representative

SCHEDULE 1

Project Description

The development objective of the project is to 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 of Qinghai Province of the Borrower.

The Project consists of the following parts:

Part A: Flood Control and Management

1. Carrying out of flood control works, including strengthening of dikes, construction of access roads, cross dike structures, and water level control structures, and strengthening of main rivers and minor tributary water and drainage courses within Xining Municipality.
2. Establishment and operation of a flood warning system for Xining Municipality through, *inter alia*, acquisition and installation of equipment and computer hardware and software.
3. Carrying out river bank landscaping works along rivers in Xining Municipality.

Part B: Wastewater Collection

1. Construction of pipelines to intercept wastewater and urban storm water that currently flow to the river systems in the Xining Municipality and connecting the collected wastewater to four (4) waste-water treatment plants: (a) Chengnan Wastewater Treatment Plant, in Xining City; (b) The Second Wastewater Treatment Plant in Xining City; (c) The Third Wastewater Treatment Plant, in Xining City; and (d) Datong Wastewater Treatment Plant, in Datong County.

Part C: Participatory Watershed Management

1. Carrying out of soil and water conservation measures in the Selected Sub-watersheds within Xining Municipality including afforestation by planting a mixture of selected species of trees and shrubs and vegetation protection.
2. Carrying out engineering measures to build silt retention and water/erosion check and control structures, designed to slow the flow of flood water in the Selected Sub-watersheds, including constructing check dams, and terracing of slope land.
3. Provision of Sub-grants to farmers and Administrative Villages in the Selected Sub-watersheds for carrying out: (a) animal husbandry activities, including building sheds and procuring animals; (b) renewable energy activities, including

constructing bio-gas facilities and procuring solar stoves; (c) construction of green houses; (d) procuring grass choppers; and (e) construction of village level infrastructure, including improvement of access roads and farm access tracks.

Part D: Institutional Strengthening and Capacity Building

1. Construction of a flood warning center to operate the flood warning system referred to in Part A.2 of the Project.
2. Strengthening the capacity of Xining Municipality in Project management through, *inter alia*, provision of office equipment, consulting services, training and study tours, and carrying out of technical study and research.

Part E: Resettlement and Environmental Management

1. Carrying out resettlement and rehabilitation of Displaced Persons in connection with the implementation of the Project.
2. Strengthening the capacity of Xining Municipality to manage the adverse environmental impacts resulting from the implementation of the Project through, *inter alia*, establishment and operation of environmental management offices, provision of consulting services and carrying out of monitoring and supervision.

Part F: Project Management

1. Development and implementation of a management information system and strengthening the capacity of Xining Municipality to carry out, *inter alia*, procurement, construction supervision, quality control, financial management, and monitoring and evaluation with respect to the Project.

SCHEDULE 2**Project Execution****Section I. Financing and Implementation Arrangements****A. Financing Arrangements**

1. The Borrower shall make available to the Project Implementing Entity the proceeds of the Loan allocated from time to time to the Categories set forth in the table in Section IV of this Schedule, on the following principal terms:
 - (i) The principal amount shall be made available in Dollars.
 - (ii) The following shall be recovered over a period of thirty (30) years inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) the amount of the fee paid pursuant to Section 2.03 of this Agreement.
 - (iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.04 of this Agreement.

B. Anti-Corruption

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Borrower shall 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 Annex 1 to the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provision of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Progress Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding (ICB).** Except as otherwise provided in paragraphs 2 and 4 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than

goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).

2. **National Competitive Bidding (NCB).** Except as otherwise provided in paragraph 4 below, works costing less than \$15,000,000 equivalent per contract and goods costing less than \$500,000 equivalent per contract may be procured under contracts awarded under NCB procedures, subject to the additional provisions provided in paragraph 3 below.
3. **Procedures for National Competitive Bidding.** The procedures to be followed for procuring goods and works under contracts awarded on the basis of 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:
 - (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower's country, except contracts for works estimated to cost less than \$2,000,000 equivalent each or 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 Qinghai 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 afforded 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 Project Implementing Entity.
- (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 for goods 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 (as provided under 3(i) above) 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) Qinghai shall have in place provisions for bidders to protest.

4. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Shopping
(b) Community Participation

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 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.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Selection Based on Consultants’ Qualifications
(c) Individual Consultants
(d) Single Source Selection

3. The short lists of consultants for services estimated to cost less than \$300,000 equivalent may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract equivalent to \$300,000 or more for goods and \$5,000,000 or more for

works; (b) the first contract for works under Part A of the Project procured in accordance with National Competitive Bidding Procedures by each of Huangyuan, Huangzhong and Datong County and Xining City comprised in the Project Area; (c) the first contract for works under each of Part B and Part D of the Project procured in accordance with National Competitive Bidding Procedures; (d) the first two contracts for works under Part C of the Project procured in accordance with National Competitive Bidding Procedures; (e) the first contract for works procured in accordance with Shopping procedures; (f) the first contract for goods procured in accordance with Shopping procedures; (g) each contract for consultant services in excess of \$100,000; (h) the first individual consultant contract irrespective of value; and (i) each contract awarded under single source selection would be subject to prior review by the Bank. All other contracts would be subject to ex-post review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures inclusive of taxes, as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of taxes)
1. Works and goods	90,940,000	75%
2. Consultant services, training, workshops and study tours	4,810,000	100%
3. Sub-grant	4,000,000	100% of Bank financing
4. Front-end Fee	250,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions

TOTAL	\$100,000,000	
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B. Withdrawal Conditions, Procedures and Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$15,000,000 equivalent may be made for payments made prior to this date but on or after March 31, 2009 for Eligible Expenditures.
2. The Closing Date is December 31, 2014.

SCHEDULE 3**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each May 15 and November 15: Beginning November 15, 2014 through May 15, 2039	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating

the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Section I. Definitions**

1. “Administrative Village” means an Administrative Village constituting the lowest level of administrative body within a county in Qinghai.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Beneficiary” means a farmer or an Administrative Village in the Project Area and selected in accordance with eligibility criteria referred to in Section A.1 of Annex 2 to the Schedule to the Project Agreement for receiving a Sub-grant and to carry out a Livelihood Support Package pursuant to an Implementation Agreement.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “County Project Coordination Offices” and the acronym (CPCOs) mean the county level offices established by the Project Implementing Entity in Huangyuan, Huangzhong and Datong Counties and to be maintained according to the provisions of paragraph 1(f) of Section I of the Schedule to the Project Agreement.
7. “County Project Leading Groups” and the acronym “CPLGs” mean the county level offices established by the Project Implementing Entity in Huangyuan, Huangzhong and Datong Counties and to be maintained according to the provisions of paragraph 1(e) of Section I of the Schedule to the Project Agreement.
8. “County Project Management Offices” and the acronym “CPMOs” mean the county level offices established by the Project Implementing Entity in Huangyuan, Huangzhong and Datong Counties and to be maintained according to the provisions of paragraph 1(g) of Section I of the Schedule to the Project Agreement.
9. “Dam Safety Panel” means the panel consisting of at least two experts appointed by the Project Implementing Entity for the purposes, *inter alia*, of reviewing the safety aspects of the Upstream Dams and the Selected Check Dams.

10. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
11. “Environmental Management Plan” and the acronym “EMP” mean the document dated February 12, 2009 adopted by the Project Implementing Entity, setting forth, *inter alia*, the assessment of environmental impacts of the Project, recommendations for mitigation of adverse impacts and enhancement of positive impacts based on such assessment, and the guidelines for environmental screening and monitoring of Project implementation, as the same shall be supplemented by annual EMP action plans prepared by the Project Implementing Entity in accordance with the provisions of the Project Agreement; and such term includes all attachments and annexes supplemental to said Plan.
12. “Ethnic Minorities Development Plan” means the development plan dated February 13, 2009 adopted by the Project Implementing Entity with the objective of avoiding cultural, social and economic adverse effects on ethnic minorities caused or likely to be caused by the Project, and through a process of informed consultation and participation, involving concerned ethnic minorities in the design and implementation of relevant Project activities so as to ensure that the benefits received by the ethnic minorities under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights.
13. “Expert Panel” and the acronym “EP” mean the panel appointed by the Project Implementing Entity and to be maintained according to the provisions of paragraph 1(d) of Section I of the Schedule to the Project Agreement.
14. “Financial Management Manual” means the Financial Management Manual dated March 13, 2009 adopted by the Project Implementing Entity and which sets out the policies and procedures for establishing and maintaining a financial management system to be implemented by the Project Implementing Entity in the carrying out of the Project.
15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

16. “Implementation Agreement” means an agreement to be entered into by any one of the counties or Xining City included in the Project Area with a Beneficiary for the purpose of providing a Sub-grant to said Beneficiary for carrying out a Livelihood Support Package.
17. “Livelihood Support Package” means the package of activities to be carried out by a Beneficiary under Part C.3 of the Project utilizing the proceeds of a Sub-grant pursuant to an Implementation Agreement.
18. “Pest Management Plan” means the document dated February 12, 2009 adopted by the Project Implementing Entity, setting forth, *inter alia*, the assessment of pest management in the Project Area and potential environmental impacts under the Project, recommendations for mitigation of adverse impacts and enhancement of positive impacts based on such assessment, including supporting an integrated approach to pest management focusing, *inter alia*, on the safe use of agricultural pesticides, non-chemical approaches to pest control, and guidelines for the use of appropriate chemicals, and sets out capacity building measures and monitoring and evaluation procedures.
19. “Participatory Watershed Management Manual” means the Manual dated February 18, 2009 adopted by the Project Implementing Entity, which sets out the principles and strategies for the design and implementation of watershed rehabilitation activities under Part C of the Project and includes the policies and procedures for the participation of communities in said activities.
20. “Participatory Watershed Management Plan” means the plan developed or to be developed for each Selected Sub-watershed in accordance with the provisions of the Participatory Watershed Management Manual, satisfactory to the Bank, setting out, *inter alia*, the details of the activities to be carried out under Part C of the Project.
21. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
22. “Procurement Manual” means the manual dated February 4, 2009 setting out the detailed procedures for carrying out procurement under the Project in accordance with the provisions of the Procurement Guidelines, the Procurement Plan, this Agreement and the Project Agreement.
23. “Procurement Plan” means the Procurement Plan dated March 10, 2009 for the Project, adopted by the Project Implementing Entity and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. “Project Agreement” means the agreement between the Bank and the Borrower’s Province of Qinghai, of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
25. “Project Area” means the areas in the counties of Huangyuan, Huangzhong and Datong and the urban area of Xining City within Xining Municipality selected by Qinghai for carrying out the Project in accordance with criteria satisfactory to the Bank.
26. “Project Implementing Entity” means Qinghai.
27. “Qinghai” means the Borrower’s Province of Qinghai, and any successor thereto, and also referred to as Project Implementing Entity.
28. “Resettlement Action Plan” and the acronym “RAP” mean the resettlement action plan dated March 16, 2009 prepared with respect to the Project, duly adopted by the Project Implementing Entity, and which Plan sets out, *inter alia*: (a) the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of the Project; (b) a process framework to compensate for the possible loss of areas for vegetation resulting from the measures to promote ecological rehabilitation in some areas, and to facilitate assistance for livelihood improvement of the affected people; and (c) reporting and monitoring arrangements to ensure compliance with said plan, as said RAP may be revised from time to time with the prior agreement of the Bank; and such term includes all attachments and annexes supplemental to said Plan.
29. “Selected Check Dams” means those check dams to be constructed under Part C.2 of the Project and listed in Section II of the Annex to this Appendix, which are subject to review by the Dam Safety Panel in accordance with the provisions of paragraphs 4 and 5 of Section I of the Schedule to the Project Agreement.
30. “Selected Sub-watersheds” means the seventeen (17) Sub-watersheds located in the Project Area that have been selected by Xining Municipality for carrying out Part C of the Project in accordance with criteria satisfactory to the Bank and includes any other Sub-watershed that may be selected with the prior approval of the Bank.
31. “Sub-grant” means a Sub-grant to be made out of the proceeds of the Loan by any one of the counties or Xining City included in the Project Area to a Beneficiary under an Implementation Agreement for carrying out activities under Part C.3 of the Project included in a Livelihood Support Package.

32. “Upstream Dams” means the existing dams located upstream of the Project Area as listed in Section I of the Annex to this Appendix whose operational safety is essential to be maintained for the protection of the activities carried out under the Project and which are subject to review by the Dam Safety Panel in accordance with the provisions of paragraphs 4 and 5 of Section I of the Schedule to the Project Agreement.
33. “Xining Community Project Management Groups” and the acronym “XCPMGs” mean the groups established by the Project Implementing Entity in Administrative Villages in the Project Area, each such group being represented by an elected group leader, and maintained according to the provisions of paragraph 1(h) of Section I of the Schedule to the Project Agreement.
34. “Xining Municipality” means Xining Municipality of the Project Implementing Entity, and any successor thereto.
35. “Xining Municipality Project Coordination Office” and the acronym “XPCO” mean the office established by the Project Implementing Entity and to be maintained according to the provisions of paragraph 1(b) of Section I of the Schedule to the Project Agreement.
36. “Xining Municipality Project Leading Group” and the acronym “XPLG” mean the office established by the Project Implementing Entity and to be maintained according to the provisions of paragraph 1(a) of Section I of the Schedule to the Project Agreement.
37. “Xining Municipality Project Management Office” and the acronym “XPMO” mean the office established by the Project Implementing Entity and to be maintained according to the provisions of paragraph 1(c) of Section I of the Schedule to the Project Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

....

(1) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project

Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The definition of the term “Conversion Date” in the Appendix is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

ANNEX

**List of Upstream Dams and Selected Check Dams
referred to in paragraphs 32 and 29, respectively, of the
Appendix to this Agreement**

The following Dams are subject to review by the Dam Safety Panel in accordance with the provisions of paragraphs 4 and 5 of Section I of the Schedule to the Project Agreement:

Section I: Upstream Dams

(1) Heiquan Dam; (2) Zhongling Dam; (3) Dahamen Dam; (4) Jingyang Dam;
(5) Pandao Dam; (6) Dananchuan Dam; (7) Dashimen Dam; (8) Yunguchuan Dam;
(9) Shengli Dam; and (10) No. 1 Xiaxigou Dam

Section II: Selected Check Dams to be constructed under Part C.2 of the Project

(1) Xiaquan Check Dam; (2) Duoxue Check Dam; (3) Longwa Check Dam;
(4) Shijiatai 1 Check Dam; (5) Shijiatai 2 Check Dam; (6) Shangquan Check Dam; and
(7) Quanerwan Check Dam