OFFICIAL DOCUMENTS

GRANT NUMBER TF0A0193

Global Environment Facility
Grant Agreement

(Contaminated Site Management Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

Dated June 24, 2015
GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT


The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


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

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient, through FECO, MEP shall, and shall cause each Project Participant to, carry out its Respective Part of the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to fifteen million United States Dollars (USD 15,000,000) (“Grant”) to assist in financing the Project.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV**

*Additional Remedies*

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following, namely:

(a) that the Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by any of the Project Participants of any obligation under its respective Implementation Agreement;

(b) that any of the Project Participants has failed to perform its obligations under its Implementation Agreement;

(c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that any of the Project Participants will be able to perform any of its obligations under its respective Implementation Agreement; and

(d) that the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

**Article V**

*Effectiveness; Termination*

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that:

(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.
(b) Each Implementation Agreement referred to in Section 1.B of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the respective Project Participant.

5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(b) on behalf of the Recipient, through FECO, MEP, and each Project Participant, that the respective Implementation Agreement has been duly authorized or ratified by, and executed and delivered on their behalf and is legally binding upon it in accordance with their terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement has been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Sanlihe
Beijing 100820
China
6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions 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 64145 (MCI)  
Facsimile: 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

Authorized Representative

Name: Yang Yingying  
Title: Deputy Director General  
Ministry of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
acting as an Implementing Agency of the  
Global Environment Facility

By

Authorized Representative

Name: Bart Cofenam  
Title: Country Director, China
SCHEDULE 1

Project Description

The objective of the Project is to improve the Recipient’s capacity for managing site contamination, and demonstrate environmentally sound identification and cleanup of sites contaminated with persistent organic pollutants (POPs) and other hazardous chemicals.

The Project consists of the following parts:

Part 1. Capacity Development for Prevention and Control of Site Contamination

1.1. Developing technical guidelines, policy recommendations and financing options for contaminated site cleanup, including: (a) technical guidelines for prevention and control of site contamination at the national level; (b) policy recommendations on information disclosure, public participation and risk-based approaches for contaminated site management at the national level; (c) administrative measures for management of contaminated sites, technical guidelines for environmental supervision, acceptance of site remediation and others as needed for prevention and control of site contamination, and environmental risk screening levels for contaminated sites for the Project Participants; and (d) carrying out studies on financing options market incentives for contaminated site cleanup at the national level and for the Project Participants.

1.2. Carrying out knowledge management and awareness raising activities in support of prevention and control of site contamination, including: (a) training at the national level on, inter alia: the legal and policy framework, technical guidelines and standards, and the environmental and social requirements for contaminated site cleanup; (b) training and technical assistance on development of environmental and social management systems to selected industries in the Project Participants; (c) knowledge sharing events and workshops; and (d) public awareness activities for prevention and control of contaminated sites and community involvement activities for cleanup, demonstration cleanups under Part 2 of the Project.

1.3. Developing management tools for prevention and control site contamination, including: (a) a national database of POPs contaminated sites; (b) a feasibility study for a center on remediation and knowledge in Chongqing that will provide advisory services and treatment services in the cleanup of contaminated soil and wastes; (c) a regional soil and groundwater contamination prevention and warning system at Chongqing’s Changshou Industrial Park; and (d) technical assistance activities for prevention and control of agricultural land contamination in Hunan Province.
1.4 Establishing a team of technical experts with site cleanup knowledge and remediation engineering experience and carrying out Project monitoring and evaluation activities and workshops.

Part 2. Cleanup Demonstrations of Sites Contaminated with POPs and other Hazardous Chemicals

Carrying out cleanup activities in selected sites contaminated with POPs and other hazardous chemicals in Chongqing, Liaoning and other provinces.

Part 3. Project Management

Provision of Project management and implementation support activities, including coordination with relevant stakeholders, at the national level and for the Project Participants.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. The Recipient, through FECO, MEP, shall be responsible for overall Project implementation, coordination with the Project Participants and other relevant stakeholders, and providing day-to-day implementation support for the Recipient’s Respective Part of the Project.

2. The Recipient, through FECO, MEP, shall cause each Project Participant to maintain, throughout the period of Project implementation, the following committees and offices with membership, terms of reference, staffing and other resources acceptable to the World Bank:

   (a) the Steering Committee, to provide leadership, policy guidance and coordination on the preparation and implementation of each Project Participant’s Respective Part of the Project; and

   (b) the Project Management Unit, for the provision of day-to-day implementation support for each Project Participant’s Respective Part of the Project.

B. Implementation Agreements

1. For the purpose of carrying out the Project Participants’ Respective Part of the Project, the Recipient, through FECO, MEP, shall enter into an Implementation Agreement with each Project Participant on terms and conditions satisfactory to the World Bank, which shall include the provisions set forth in Annex 1 to this Schedule 2.

2. The Recipient shall exercise its rights under each Implementation Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.

C. Annual Work Plan and Budgets and Project Implementation Manual

1. The Recipient, through FECO, MEP, shall, and shall cause the Project Participants to:

   (a) furnish to the World Bank for review and approval as soon as available, but in any case not later than March 1 of each year, a consolidated annual work plan and budget for the Project for each subsequent year of Project
implementation, of such scope and detail as the World Bank shall have reasonably requested, except for the annual work plan for the first year of Project implementation, which shall be furnished not later than one (1) month after the Effective Date; and

(b) thereafter ensure that Project is carried out in accordance with such plan and budget as agreed with the World Bank.

2. The Recipient, through FECO, MEP, shall, and shall cause the Project Participants to, carry out the Project in accordance with the Annual Work Plans and Budgets as annually reviewed and approved by the World Bank, as provided for in the preceding paragraph, and the Project Implementation Manual, in a manner satisfactory to the World Bank, and shall not amend, suspend, or waive the said plan or manual or any part thereof without the prior written agreement of the World Bank. In the event of any inconsistency between the Project Implementation Manual or the Annual Work Plan and Budget and this Agreement, the provisions of this Agreement shall prevail.

D. Anti-Corruption

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

E. Safeguards

1. The Recipient, through FECO, MEP, shall, and shall cause the Project Participants to ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.

2. Without limitation upon the provisions of the preceding paragraph, whenever an additional or revised EA, EMP, EMDP, or RAP shall be required for any proposed Project activity in accordance with the provisions of the ESMF, the Recipient shall, prior to the commencement of such activity, proceed to have such EA, EMP, EMDP, or RAP (a) prepared in accordance with the provisions of the ESMF; (b) furnished to the World Bank for review and approval; and (c) thereafter adopted and disclosed as approved by the World Bank, in a manner acceptable to the World Bank.

3. Without limitation upon the foregoing, the Recipient, through FECO, MEP, shall and shall cause each Project Participant to ensure that each contract for civil works to be financed out of the proceeds of the Grant or by counterpart funds under the Project shall include the obligation of the relevant contractor to carry out such works in accordance with the Safeguards Instruments.

4. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, any Safeguards Instrument, or any provision thereof.
5. The Recipient, through FECO, MEP, shall, and shall cause each Project Participant to, maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the Safeguards Instruments.

6. The Recipient, through FECO, MEP, shall, and shall cause each Project Participant to, ensure that the terms of reference for any consultancies related to studies, assessments, regulations, technical guidelines, training and technical assistance activities under the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall, *inter alia*, duly incorporate the requirements of the World Bank's safeguard policies then in force, as applied to the advice conveyed through such studies, assessments, regulations, technical guidelines, training and technical assistance activities.

7. Without limitation upon its other reporting obligations under Section II.A of this Schedule 2, the Recipient, through FECO, MEP shall, and shall cause the Project Participants to, take all measures necessary to regularly collect and compile, and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:

   (a) the measures taken in furtherance of the Safeguards Instruments;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

   (c) remedial measures taken or required to be taken to address such conditions.

8. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

F. **Clean-up Sub-projects**

1. Prior to carrying out activities under Part 2 of the Project, the Recipient, through FECO, MEP, shall, and shall cause the Project Participants to select the sites for the Clean-up Sub-projects, in accordance with the criteria set forth in the Project Implementation Manual, and subject to the World Bank's prior approval.

2. Without limitation upon its other reporting obligations under Section II.A of this Schedule 2, the Recipient through FECO, MEP, shall, and shall cause the Project Participants to, prepare, under terms of reference satisfactory to the World Bank, a completion report outlining the activities undertaken under each Clean-up Sub-project. Each such report shall be furnished to the World Bank no later than six (6) months after the completion of the respective Clean-up Sub-project.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports, Mid-term Review, Completion Report

1. The Recipient, through FECO, MEP, shall, and shall cause the Project Participants to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth in the Project Implementation Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than sixty (60) days after the end of the period covered by such report.

2. Without limitation to the provisions of paragraph A.1 above, the Recipient, through FECO, MEP, shall, and shall cause the Project Participants to, prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank no later than December 31, 2018, a mid-term review report for the Project, summarizing the result of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and the achievement of the objectives thereof during the period following such data.

3. The Recipient, through FECO, MEP, shall, and shall cause the Project Participants to prepare the Completion Report in accordance with the provisions of Section 2.06 (b) (ii) of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three (3) months after the Closing Date.

B. Financial Management; Financial Reports; Audit

1. The Recipient, through FECO, MEP, shall, and shall cause the Project Participants to, ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient, through FECO, MEP, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than sixty (60) days after the end of each semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient, through FECO, MEP, shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting services, and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section 1 of the Procurement Guidelines in case goods, works, and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Section II and III of the Procurement Guidelines, or Section II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. 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: (a) National Competitive Bidding, subject to the additional provisions set forth in the box below; (b) Shopping; and (c) Direct Contracting.

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding (“NCB”) shall be the open tendering procedures set forth in the Recipient’s Law on Tendering and Bidding promulgated by its Order No. 21 dated August 30, 1999; provided, however, that such procedures shall be subject to the provisions of Section I, Paragraphs 3.3 and 3.4 of Section III, and Appendix 1 of the Procurement Guidelines, and the additional provisions in the following. In the event of a conflict between the Recipient’s procedures and these NCB Procedure Modifications, the latter shall govern.

   (i) Eligibility to participate in a procurement process and to be awarded a World Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder
shall be declared ineligible for such contract for reasons other than those provided in Section I of the Procurement Guidelines. No restriction based on nationality of bidders and/or origin of goods shall apply, and foreign bidders shall be allowed to participate in NCB without application of restrictive conditions.

(ii) All invitations to prequalify or bid shall be advertised in a national newspaper of wide circulation in the Recipient's country, or on a widely used website / electronic portal with free national and international access acceptable to the World Bank except for goods or non-consulting services contracts that are estimated to cost less than $300,000 equivalent each, or works contracts that are estimated to cost less than $2,000,000 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 such advertisement (or the date of availability of bidding documents, whichever is later) and the deadline for the submission of bids, and the advertisement and bidding documents shall specify the deadline for the submission of bids. In the case of such advertisement on a website / electronic portal, the notice shall remain readily accessible nationally and internationally until at least the deadline for the submission of bids. Potential bidders shall be allowed to inspect and purchase bidding documents at any time prior to the deadline for the submission of bids.

(iii) Standard Bidding Documents acceptable to the World Bank shall be used.

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

(v) Prequalification procedures and documents acceptable to the World Bank shall be used for large, complex and/or specialized works. Verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder's capability with respect to personnel and equipment. All bidders that meet the qualification criteria set out in the pre-qualification documents shall be allowed to bid, and there shall be no limit on the number of pre-qualified bidders. Where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by postqualification, applying the qualification criteria stated in the bidding documents.

(vi) Registration shall not be used to assess bidders' qualifications. A bidder shall not be required to register as a condition for inspecting or
purchasing bidding documents, submitting its bid or receiving contract award. A bidder determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering (if required) before contract signing without any let or hindrance. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

(vii) No margins of preference of any sort shall be given to bidders, such as on the basis of their location, place of incorporation, or affinity with the geographical area in which the Project activities will take place.

(viii) All bidders who are awarded contracts for works and single-responsibility contracts shall be required to provide performance security in an amount sufficient to protect the Recipient, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security and any other potential damages for such breach.

(ix) Bidders shall be allowed to submit bids by mail or in person.

(x) 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.

(xi) 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.

(xii) No bid may be rejected solely on the basis that the bid price exceeds any cost estimate or falls outside any margin or bracket of prices or average bids established by the Recipient, as the case may be. Rejection of all bids or re-bidding shall 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 World Bank’s prior written agreement.

(xiii) 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 or to assume other obligations not stipulated in the bidding documents or otherwise to modify the bid as originally submitted. No negotiations shall be permitted except with the World Bank’s no-objection.

(xiv) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World
Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.

(xv) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

(xvi) Government-owned enterprises in the Recipient's country may be permitted to bid or submit a proposal of goods, works, or non-consulting services 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.

(xvii) Matters such as subcontracting, joint venture relationships and assignment of contract shall be handled in accordance with the bidding documents.

(xviii) The results of bid evaluation and contract award shall be published in the national or provincial press (as provided under paragraph (ii) above) or official gazette or a free and open-access website and shall identify: (A) the name of each bidder who submitted a bid; (B) bid prices as read out at bid opening; (C) the name of the bidder, and the evaluated price, of each bid that was evaluated; (D) the names of bidders whose bids were either rejected as non-responsive or not meeting qualification criteria, or not evaluated, with the reasons therefor; and (E) the name of the winning bidder and the final total contract price, as well as the duration and summary scope of the contract. Such publication shall be within two (2) weeks of receiving the World Bank's no-objection to the award recommendation for contracts subject to the World Bank's prior review, and within two (2) weeks of the Recipient's award decision for contracts subject to the World Bank's post review. The bidding documents shall disclose the newspaper in which and / or the electronic means by which the information on contract award will be published.

(xix) The Recipient, as the case may be, shall have in place an effective and independent protest mechanism for bidders to protest. The bidding documents shall provide the professional title and address of the official to whom such protests should be sent.
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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures 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 Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
**Amount of the Percentage of Grant Allocated Expenditures to be (Expressed in Financed Category USD) (inclusive of Taxes)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount Allocated (Expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and non-consultants' Services, consultants' services, Training and Workshops, and Incremental Operating Costs of the Project</td>
<td>15,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; 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 USD 3,000,000 may be made for payments made prior to this date but on or after January 1, 2015, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2021.
Annex to Schedule 2

Principals Terms and Conditions of Implementation Agreements

For the purposes of Section I.B.1 of Schedule 2 to this Agreement, the Implementation Agreements to be entered into by the Recipient, through FECO, MEP, and each Project Participant shall: (1) describe the activities to be implemented by a Project Participant for financing under this Agreement, including, inter alia, the scope of activities; quantities of training, quality standards, implementation arrangements, expected outputs, disbursement procedures and payment conditions, and supervision, monitoring and verification procedures; and (2) reflect, inter alia, the following terms and conditions, namely that each Project Participant shall undertake to:

(a) assist the Recipient in the carrying out of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices, and social and environmental standards, acceptable to the World Bank, including the Anti-Corruption Guidelines, the Project Implementation Manual, the Safeguards Instruments, and to provide, promptly as needed, the funds, facilities and other resources required for this purpose;

(b) maintain, throughout Project implementation, key staff with terms of reference and qualifications acceptable to the World Bank, to be responsible for the implementation of the Project Participant’s Respective Part of the Project;

(c) take all measures necessary to ensure that terms of reference for any consultancies related to studies, assessments, regulations, technical guidelines, training and technical assistance activities under the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank’s safeguard policies then in force, as applied to the advice conveyed through such studies, assessments, regulations, technical guidelines, training and technical assistance activities;

(d) (i) select the sites for the Clean-up Sub-projects, in accordance with the criteria set forth in the Project Implementation Manual, and subject to the World Bank’s prior approval; and (ii) prepare, under terms of reference satisfactory to the World Bank, a report outlining the activities undertaken under each Clean-up Sub-project;

(e) exercise its rights under the respective Implementation Agreement in such manner as to protect the interests of the Recipient and the World Bank, and to accomplish the purposes of the Grant, and except as the Recipient and the World Bank shall otherwise agree, not assign, amend, abrogate or waive the respective Implementation Agreement or any provision thereof;

(f) to procure the goods and services to be financed out of the proceeds of the Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement, and utilize such goods and services exclusively in the carrying out of the Project;
enable the Recipient and the World Bank to inspect such sites and works included in the Project, the operation thereof, and any relevant records and documents as the Recipient and the World Bank shall deem necessary;

(h) maintain records and accounts adequate to reflect its operations and financial condition in accordance with sound accounting practices;

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors;

(j) furnish to the Recipient and the World Bank, as soon as available, but in any case not later than six (6) months after the end of each such year: (i) certified copies of their financial statements for such year as so audited; (ii) an opinion on such statements by the auditors referred to in paragraph 4 (b) above, in such scope and detail as the Recipient or the World Bank shall have reasonably requested; and (iii) all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient or the World Bank shall reasonably request; and

(k) maintain policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed between the Recipient and the World Bank, the carrying out of the Project and the achievement of the objective thereof.
APPENDIX

Definitions

1. "Affected Persons" means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

2. "Annual Work Plans and Budgets" means the consolidated work plan of activities, associated resources, procurement packages, Incremental Operating Costs and budgetary allocations required for a given fiscal year of the Recipient for Project implementation, to be prepared by the Recipient and the Project Participants pursuant to Section I.C of Schedule 2 to this Agreement.


4. "ARAP-Ganshui" means the abbreviated resettlement action plan dated October 8, 2014 prepared and publicly disclosed by the Recipient, and approved by the World Bank, and setting forth, with respect to the Ganshui site in Chongqing, the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons, as said plan may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan.

5. "Chongqing" means the Recipient’s Chongqing Municipality or any successor thereto.

6. "Clean-up Sub-projects" means the cleanup activities carried out under Part 2 of the Project on a specific site, selected in accordance with the criteria set forth in the Project Implementation Manual, and approved by the World Bank.


8. "EMP-Ganshui" means the environmental management plan dated October 8, 2014 prepared and publicly disclosed by the Recipient, and approved by the World Bank, and setting forth the measures for mitigating the environmental risks and impacts associated with the implementation of Project activities at Ganshui site in Chongqing, as well as the administrative and monitoring arrangements for ensuring the implementation of said plan, as said plan may be
revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan.

9. "Environmental and Social Management Framework" and "ESMF" mean the environmental and social management framework dated December 2014, prepared and publicly disclosed by the Recipient, through FECO, MEP, and approved by the World Bank, which sets out, among other things: (a) key principles for social and environmental management of the Project; (b) procedures to screen and process the Project activities for significant social and environmental impacts, and to assist in mitigating these impacts; (c) setting out the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of Affected Persons; (d) setting out the mitigation, enhancement, monitoring, and institutional measures to ensure meaningful consultation with, and the informed participation of ethnic minorities within the Project area who are affected by the Project; (e) procedures to ensure that the aforementioned principles are properly applied, including guidelines and procedures for the preparation, review, approval and disclosure of EAs, EMPs, EMDP, and RAPs; and (f) guidelines for capacity building and monitoring; as such framework may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.

10. "Environmental Assessments" and "EAs" mean each environmental assessment that may be prepared by the Recipient, through FECO, MEP, or the Project Participants, as the case may be, in accordance with the ESMF, and pursuant to Section 1.E.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the World Bank, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities; as said assessments may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessments.

11. "Environmental Management Plans" and "EMPs" mean each plan that may be prepared by the Recipient, through FECO, MEP, or the Project Participants, as the case may be, in accordance with the ESMF, and pursuant to Section 1.E.2 of Schedule 2 of this Agreement, each such plan in form and substance satisfactory to the World Bank, and setting forth the measures for mitigating the environmental risks and impacts associated with the implementation of Project activities, as well as the administrative and monitoring arrangements for ensuring the implementation of said plans; as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans.

12. "Ethnic Minority Development Plan" and "EMDP" mean each plan that may be prepared by the Recipient, through FECO, MEP, or the Project Participants, as the case may be, in accordance with the ESMF, and pursuant to Section 1.E.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the World Bank, setting out a program of actions, policies and strategies designed to protect ethnic minorities affected by Project activities and to
maximize the benefits accruing to such peoples and communities under the Project; as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans.

13. “Foreign Economic Cooperation Office” and “FECO” mean the Foreign Economic Cooperation Office established within MEP, as defined herein, responsible for managing and coordinating the Project and for implementing the Recipient’s Respective Part of the Project, or any successor thereto.

14. “Implementation Agreement” means, with respect of each Project Participant, the agreement entered into between the Recipient, through FECO, MEP, and said Project Participant, in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement and the Annex to Schedule 2 thereto, as the same may be amended from time to time with the approval of the World Bank, and the term “Implementation Agreements” means the plural thereof.

15. “Incremental Operating Costs” means the operating costs of the Project incurred by FECO and the Project Participants on the basis of the Annual Work Plans and Budgets for purposes of Project management, implementation, and monitoring and evaluation, on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s, or the Project Participants’ civil service.

16. “Involuntary Resettlement” means the following caused on account of Project implementation: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihood of the affected person.

17. “Liaoning” means the Recipient’s Liaoning Province or any successor thereto.

18. “Ministry of Environmental Protection” and “MEP” mean the Recipient’s Ministry of Environmental Protection or any successor thereto.


20. “Procurement Plan” means the Recipient’s procurement plan for the Project dated February 2, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
and acceptable to the World Bank, for the implementation of the Project,
describing, among other things: (a) the Project objective, Project activities and
arrangements, satisfactory to the World Bank, for the flow of funds of the
proceeds of the Grant including financial management, disbursement and
procurement arrangements; (b) the institutional arrangements for the
implementation of the Project, and the roles and responsibilities of the entities
involved in Project implementation; (c) criteria and arrangements for site
selection under Part 2 of the Project; (d) arrangements satisfactory to the Bank
for social and environment safeguards screening; (e) steps and procedures for
Project implementation; and (f) monitoring and evaluation, reporting and
information disclosure arrangements, and the indicators and targets for purposes
of monitoring and evaluation of the progress of the Project; as such manual may
be revised from time to time with the agreement of the World Bank.

22. "Project Management Unit" means, collectively, the unit established under
Chongqing's Environmental Protection Bureau in March 2014, and the unit
established under Liaoning’s Environmental Protection Bureau in February 2014,
and referred to in Section I.A.2 (b) of Schedule 2 to this Agreement, or any
successor thereto.

23. "Project Participants" means the Chongqing Municipality and Liaoning Province.

24. "Resettlement Action Plans" and "RAPs" mean each plan that may
be prepared
by the Recipient, through FECO, MEP, or the Project Participants, as the case
may be, in accordance with the ESMF, and pursuant to Section 1.E.2 of Schedule
2 to this Agreement, each such plan in form and substance satisfactory to the
World Bank, setting forth the principles and procedures governing the acquisition
of land and related assets, and the compensation, resettlement, and rehabilitation
of Affected Persons; as said plans may be revised from time to time with the
prior written agreement of the World Bank, and such term includes any annexes
or schedules to such plans.

25. "Respective Part of the Project" means: (a) Parts 1.1 (a) and (b), and (d), 1.2
(a),(c) and (d), 1.3 (a) and (d), 1.4, 2, and 3 of the Project to be implemented by
the Recipient, through FECO, MEP and as they relate to the national level; (b)
Parts 1.1 (c) and (d), 1.2 (b), (c) and (d), 1.3 (b) and (c), 1.4, 2, and 3 of the
Project to be implemented by Chongqing and as they relate to the municipality
level within its jurisdiction; and (c) Parts 1.1 (c) and (d), 1.2 (b), (c) and (d), 1.4,
2, and 3 of the Project to be implemented by Liaoning and as they relate to the
provincial level within its jurisdiction.

26. "Safeguard Instruments" means collectively, the EAs, the EMPs, the EMP-
Ganshui, the EMDPs, the ESMF, the RAPs, and the ARAP-Ganshui.

27. "Steering Committee" means, collectively, the steering committee established by
Chongqing in June 2008, and the steering committee established by Liaoning in
March 2014, and referred to in Section I.A.2 (a) of Schedule 2 to this Agreement,
or any successor thereto.
28. "Training and Workshops" means the cost of training financed under the Project, incurred on the basis of the Annual Work Plans and Budgets, attributable to seminars, study tours, and workshops, along with the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.