Global Environment Facility
Trust Fund Grant Agreement

(Demonstration of Alternatives to Chlordane and Mirex in
Termite Control 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 July 19, 2006
 AGREEMENT, dated July 19, 2006, between the PEOPLE’S REPUBLIC OF CHINA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;
(ii) Sections 2.01(2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;

(iii) Section 3.01;

(iv) Sections 4.01 and 4.06;

(v) Article V;

(vi) Sections 6.01, 6.02(c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;

(vii) Section 8.01(b);

(viii) Sections 9.01(a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;

(ix) Sections 10.01, 10.03 and 10.04; and

(x) Article XI.

(b) The General Conditions shall be modified as follows:

(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01(6), 6.02(f) and 5.01(a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;

(ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;

(iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;

(iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;

(v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(vi) Section 5.08 of the General Conditions is amended to read as follows:
“Section 5.08. Treatment of Taxes

Except as otherwise provided in the GEF Trust Fund Grant Agreement, the proceeds of the GEF Trust Fund Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the GEF Trust Fund Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its grants such as the GEF Trust Fund Grant. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the GEF Trust Fund Grant is excessive or otherwise unreasonable, the Bank may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the GEF Trust Fund Grant Agreement as required to be consistent with such policy of the Bank.”

(vii) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”; and

(viii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Allocated Amount” means: (i) in respect of each Participating Province, an amount of the GEF Trust Fund Grant proceeds allocated by the Recipient to said Participating Province pursuant to the provisions of paragraph 4(c) of Schedule 4 of this Agreement and to be utilized by said Participating Province for purposes of carrying out its IPM Program; and (ii) in respect of Jiangsu, an amount of the GEF Trust Fund Grant proceeds allocated by the Recipient to Jiangsu pursuant to the provisions of paragraph 5 of Schedule 4 of this Agreement and to be utilized by Jiangsu for purposes of carrying out its IPM Program.

(b) “Convention Implementation Office” and the acronym “CIO” mean the Convention Implementation Office established in SEPA, responsible for implementation

(c) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(d) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement.

(e) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(f) “Environmental Management Plan” means the Environmental Management Plan which forms part of the Environment Impact Assessment dated December 6, 2005, prepared by Jiangsu Academy of Environmental Science on behalf of Jiangsu Province and referred to in paragraph 2 of Schedule 4 to this Agreement, which said plan sets forth the environmental protection measures in respect of the implementation of Part D of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Bank.

(g) “Financial Management Manual” means the manual to be prepared and put into effect by the Recipient in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement, as such manual may be revised from time to time with the prior concurrence of the Bank.

(h) “Implementation Agreement” means, in respect of each Participating Province and Jiangsu, the agreement entered into between the Recipient and said Participating Province and Jiangsu in accordance with the provisions of paragraphs 4(d) and 5 of Schedule 4 to this Agreement and the Annex thereto, as the same may be amended from time to time with the approval of the Bank.

(i) “IPM” means an integrated pest management methodology for termite control.

(j) “IPM Program” means a program to be carried out under Parts A2, B.2, and C (excluding Parts C.1 and C.5) of the Project, which satisfies the requirements set forth or referred to in paragraphs 4 and 5 of Schedule 4 to this Agreement and which is to be carried out by a Participating Province and Jiangsu, utilizing the proceeds of its Allocated Amount. With respect to Jiangsu, its IPM Program includes in addition to the foregoing, the carrying out of Part D of the Project. “IPM Programs” means, collectively, all such programs.

(k) “Jiangsu” means the Recipient’s Jiangsu Province, and any successor thereto.
(l) “Liyang Facility” means the Liyang Guanghua chlordane and mirex production facility located in the Liyang Economy and Technology Development Zone of Liyang County/City of Jiangsu Province.

(m) “Participating Province” means a province selected in accordance with the policies and procedures set forth in the Project Implementation Manual to receive financing to carry out its IPM Program; and “Participating Provinces” means, collectively, all such Participating Provinces.

(n) “Pest Management Plan” means the Pest Management Plan for the Project, dated November 29, 2005, prepared by Guangdong Entomological Institute on behalf of the Recipient and to be implemented in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement, as such plan may be amended from time to time with the agreement of the Bank.

(o) “PIUs” means project implementation units to be established and maintained in Jiangsu and in each Participating Province pursuant to the provisions of paragraph 1(a) of Annex 1 to Schedule 4 to this Agreement.

(p) “Procurement Plan” means the Recipient’s procurement plan dated December 8, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(q) “Project Implementation Manual” means the manual to be prepared and put into effect by the Recipient in accordance with the provisions of paragraph 3(a) of Schedule 4 to this Agreement, as such manual may be revised from time to time with the prior concurrence of the Bank.

(r) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.5 of Schedule 1 to this Agreement.

(s) “Respective Parts of the Project” means, in respect of:

(i) SEPA: Parts A.1, A.3, B.1, C.1, C.5, E and F of the Project and implementation support for Parts C.2 through C.4 of the Project;

(ii) Jiangsu: Parts A.2, B.2, C (excluding Parts C.1 and C.5) and D of the Project; and

(iii) each Participating Province: those Parts of the Project identified in the IPM Program and to be carried out within its respective
territorial jurisdiction and which IPM Program has been approved by the Bank to be eligible for financing out of the proceeds of the GEF Trust Fund Grant.

(t) “SEPA” means the Recipient’s State Environmental Protection Administration, and any successor thereto.

(u) “Social Mitigation Plan” means the measures (including, workers compensation and retrenchment program) set forth in the Social Assessment for the Closure of the Liyang Guanghua Chemical Company, Ltd. dated May 2005, prepared by Social Development Institute, Hohai University on behalf of Jiangsu to address the social and economic impacts of the closure of the Liyang Facility on the facility’s workforce.

(v) “Special Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement.

(w) “Termite Project Team” means the project team established within the Convention Implementation Office of SEPA and referred to in paragraph 1 of Schedule 4 to this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to fourteen million three hundred fifty seven thousand Dollars ($14,357,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be December 31, 2010, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:
(i) shall carry out, through SEPA, Parts A.1, A.3, B.1, C.1, C.5, E and F of the Project and provide support for the implementation of Parts C.2 through C.4 of the Project;

(ii) shall cause Jiangsu and the Participating Provinces to carry out Parts A.2, B.2 and C (excluding Parts C.1 and C.5) of the Project; and

(iii) shall cause Jiangsu, in addition, to carry out Part D of the Project;

all with due diligence and efficiency and in conformity with appropriate administrative, financial, and environmental and social standards acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project, and cause the Project to be carried out, in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.
ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

(i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made;

(ii) enable the Bank’s representatives to examine such records; and
(iii) ensure that such reports or statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) The Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank (integrating the report furnished by the Participating Provinces and Jiangsu pursuant to paragraph 3(f) of Annex 1 to Schedule 4 to this Agreement), which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) Jiangsu shall have failed to perform any of its obligations under its Implementation Agreement with the Recipient.

(b) Any Participating Province shall have failed to perform any of its obligations under the Implementation Agreement to which it is a party.
ARTICLE VI

Effectiveness, Termination

Section 6.01. This Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank that:

(a) The Project Implementation Manual, acceptable to the Bank, has been adopted by SEPA in accordance with the provisions of paragraph 3(a) of Schedule 4 to this Agreement.

(b) The Financial Management Manual, acceptable to the Bank, has been adopted by SEPA in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement.

(c) The Implementation Agreement between the Recipient and Jiangsu, satisfactory to the Bank, shall have been executed.

Section 6.02. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Recipient or such other person as he or she shall have authorized in writing is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
Sanlihe, Beijing 100820
People’s Republic of China

Facsimile:

(86-10) 68551125
For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People’s Republic of China, as of the day and year first above written.

PEOPLE’S REPUBLIC OF CHINA

By /s/ Ju Kuilin

Authorized Representative

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

By /s/ Hsiao-Yun Elaine Sun

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, training and Incremental Operating Costs under Part A of the Project and:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Implemented by SEPA</td>
<td>469,233</td>
<td>)</td>
</tr>
<tr>
<td>(b) Implemented by Jiangsu</td>
<td>251,343</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Implemented by Participating Provinces</td>
<td>251,343</td>
<td>)</td>
</tr>
<tr>
<td>(2) Consultants’ services and training under Part B of the Project and:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Implemented by SEPA</td>
<td>300,000</td>
<td>)</td>
</tr>
<tr>
<td>(b) Implemented by Jiangsu</td>
<td>170,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Implemented by Participating Provinces</td>
<td>170,000</td>
<td>)</td>
</tr>
<tr>
<td>(3) Goods, services and training under Part C of the Project and:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Implemented by SEPA</td>
<td>509,000</td>
<td>)</td>
</tr>
<tr>
<td>(b) Implemented by Jiangsu</td>
<td>4,209,232</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Implemented by Participating Provinces</td>
<td>4,959,049</td>
<td>)</td>
</tr>
<tr>
<td>(4) Works and services under Part D of the Project</td>
<td>940,800</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>(5) Consultants’ services and training under Part E of the Project</td>
<td>74,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Consultants’ services and training under Part F of the Project</td>
<td>748,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>1,305,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>14,357,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or
(c) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.
Annex A
to
SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of $300,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

   (b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B
to
SCHEDULE 1

Operation of Special Account When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in substituting the use of chlordane and mirex (which are harmful to human health and the environment) with integrated pest management techniques ("IPM") as a means to control termites in Jiangsu and Participating Provinces; and establishing a cost effective framework for promoting IPM in termite control.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objective.

Part A. Institutional Strengthening

1. Strengthening the capacity of the Convention Implementation Office to implement Parts B.1, C.1, C.5, E and F of the Project, to manage and coordinate implementation of other Parts of the Project and to support the implementation of Parts C.2 through C.4 of the Project, including staff training, and provision of equipment.

2. Carrying out programs to strengthen institutional capacity of provincial PIUs to implement Parts B.2, C and D of the Project.

3. Carrying out national and provincial Project launch workshops.

Part B. Policy Framework for Elimination of Chlordane and Mirex

1. Developing, at the national level, a policy framework for the phase-out of chlordane and mirex and the promotion of IPM in termite control, including review and, if necessary, revision of key national policies and regulations that govern or relate to termite control and chlordane and mirex production control; and facilitating the registration of IPM compatible termite control products.

2. Carrying out programs to review relevant provincial regulations and standards and make necessary revisions thereto for the elimination of chlordane and mirex use and for the promotion of IPM in termite control.

Part C. Integrated Pest Management

1. Development and dissemination of a detailed IPM operating and training manual for the use of the bait system in termite control and complementary IPM measures.
2. Designing and implementing training programs on use of the bait system in termit control and complementary IPM measures, which programs are targeted at different professional groups involved in termit control.

3. Carrying out public awareness programs that highlight the risks associated with chlordane and mirex use and the benefits of IPM.

4. Carrying out programs for the application of commercial bait systems and use of complementary measures for termit control in the building construction sector.

5. Carrying out applied research aimed at improving the effectiveness of bait systems and complementary use of IPM measures.

Part D. Closure of Liyang Facility in Jiangsu Province

Closing permanently and dismantling of the Liyang Facility, which produces chlordane and mirex; cleaning up the chlordane and mirex contamination at the facility; and disposing the chlordane and mirex wastes.

Part E. Monitoring and Evaluation

Developing and implementing a computerized management information system to collect and evaluate data on Project implementation; and carrying out workshops and meetings to evaluate Project implementation progress.

Part F. Replication Program

1. Developing a national replication program for the elimination of chlordane and mirex in termit control, based on the experiences from Project implementation.

2. Collecting baseline information relevant to the preparation of environmental impact assessments for closure of selected chlordane and mirex manufacturers.

* * *

The Project is expected to be completed by June 30, 2010.
SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts for goods shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Recipient).

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Contracts for goods estimated to cost less than $500,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions; and (b) except as otherwise provided in Parts B.2 and B.3 of this Section, contracts for works shall be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

The procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People’s Republic of China promulgated by Order No. 21 of the President of the People’s Republic of China on
August 30, 1999, with the following clarifications required for compliance with the Guidelines:

(a) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Recipient’s country, except for civil works contracts that are estimated to cost less than $2,000,000 equivalent each and for 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.

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

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

(d) All bidders shall be required to provide security in an amount sufficient to protect the Recipient, Jiangsu or the Participating Province, 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.

(e) The time for opening of all bids shall be the same as the deadline for receipt of such bids.

(f) 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.

(g) 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, Jiangsu or the Participating Province, as the case may be.

(h) 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.

(i) Each contract financed with the proceeds of the GEF Trust Fund Grant 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.

(j) Re-bidding should not be allowed solely because the number of bids is less than three (3).

2. Shopping. Goods estimated to cost less than $100,000 equivalent per contract and works estimated to cost less than $200,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Contracts for the installation of bait systems and services (other than consultants’ services) for maintenance, monitoring and reporting on the effect of IPM and which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $300,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications. Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.
3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods, works and services (other than consultants’ services) estimated to cost the equivalent of $500,000 or more; (b) each contract procured on the basis of Direct Contracting; and (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more and by an individual consultant estimated to cost the equivalent of $50,000 or more. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 4

Implementation Program

Project Management

1. Throughout implementation of the Project, the Recipient shall maintain, with terms of reference, staffing and other resources acceptable to the Bank, the Termite Project Team established within CIO which is responsible for the overall management and coordination of Project activities, for the implementation of Parts A.1, A.3, B.1, C.1, C.5, E and F of the Project and for supporting the implementation of Parts C.2 through C.4 of the Project.

Environment Protection, Pest Management and Social Mitigation

2. The Recipient shall:

   (a) Cause Jiangsu to implement Part D of the Project in accordance with the Environmental Management Plan, the Pest Management Plan and the Social Mitigation Plan, all in a manner satisfactory to the Bank and designed to ensure that Part D of the Project is implemented in accordance with sound environmental and social practices and standards.

   (b) Cause the Participating Provinces to implement its Respective Part of the Project in accordance with the Pest Management Plan in a manner satisfactory to the Bank and designed to ensure that its Respective Part of the Project is implemented in accordance with sound environmental practices and standards.

Manuals

3. The Recipient, through SEPA:

   (a) shall prepare, adopt and implement the Project, and cause the Project to be implemented, based on a Project Implementation Manual satisfactory to the Bank, which sets forth, inter alia, detailed policies and procedures and implementation and institutional arrangements for the carrying out of Project activities and annual programs;

   (b) shall prepare, adopt and implement the Project and cause the Project to be implemented based on a Financial Management Manual satisfactory to the Bank, which sets forth, inter alia, the organizational structures and responsibilities in regard to financial management, fund flow arrangement, staffing and training requirements, financial accounting systems, internal control mechanisms, financial reporting requirements and procedures, auditing arrangements, and samples and forms; and
(c) shall not amend, delete, suspend or waive any part of the project implementation manual or the financial management manual, without the prior concurrence of the Bank.

IPM Programs

4. A program referred to in Parts A.2, B.2 and C (excluding Parts C.1 and C.5) of the Project to be carried out by a Participating Province shall qualify as an IPM Program eligible for financing out of the proceeds of the GEF Trust Fund Grant only if:

(a) The Participating Province has been selected in accordance with criteria, policies and procedures acceptable to the Bank and as set forth in the Project Implementation Manual. Without limitation to the foregoing, the Participating Province shall have demonstrated to the satisfaction of the Recipient, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Bank, that the following requirements have been met:

(i) The proposed program shall be economically and financially viable, and technically feasible, and shall have been designed in accordance with environmental standards acceptable to the Bank.

(ii) The Participating Province shall have the organization, management and resources required for the proper carrying out of the proposed program, and to this end, has established a provincial-level project implementation unit and steering group in accordance with the provisions of paragraphs 1(a) and 1(b) of Annex 1 to this Schedule.

(iii) The Participating Province shall have prepared a detailed time-bound action plan for the implementation of its proposed program.

(iv) The Participating Province satisfies the eligibility criteria set forth in the Project Implementation Manual, including demonstrating, to the satisfaction of the Bank, its commitment to adopt the IPM approach for termite control and to ban the use of chlordane and mirex for termite control by May 17, 2009.

(b) The Bank shall have notified the Recipient and said Participating Province of the Bank’s approval of the proposed program.

(c) The Recipient shall have allocated an amount of the proceeds of the GEF Trust Fund Grant to said Participating Province to carry out the approved IPM Program.
(d) The Recipient shall have entered into an Implementation Agreement with the Participating Province to carry out its IPM Program and to make available to the Participating Province, the latter’s respective Allocated Amount: (a) on a grant basis; and (b) on conditions acceptable to the Bank and as set forth in Annex 1 to this Schedule.

Jiangsu Implementation Agreement

5. The Recipient, through SEPA, shall enter into an Implementation Agreement with Jiangsu to carry out its IPM Program, as approved by the Bank, and to make available to Jiangsu, its respective Allocated Amount: (a) on a grant basis; and (b) on conditions acceptable to the Bank and as set forth in Annex 1 to this Schedule. In addition, said Implementation Agreement with Jiangsu shall also provide that Jiangsu shall carry out the following:

(i) By July 1, 2007, close the Liyang Facility, including revocation of any production-related permits or licenses, erecting a fence around said facility, locking and sealing said facility to prevent access or use of the same; disconnecting energy and water supply to said facility, and complete full payment to workers and owners of said facility in accordance with the Social Mitigation Plan.

(ii) By December 2007, complete: (A) the physical dismantling of the Liyang Facility (including equipment); (B) decontamination of the site on which the facility is located; and (C) disposal of hazardous and other wastes, all in a manner satisfactory to the Bank.

(iii) (A) Implement Part D of the Project in accordance with the Environmental Management Plan, the Pest Management Plan and the Social Mitigation Plan, all in a manner satisfactory to the Bank and designed to ensure that Part D of the Project is implemented in accordance with sound environmental and social practices and standards; and (B) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Environmental Management Plan, the Pest Management Plan and the Social Mitigation Plan, and the achievement of the objectives of said plans, including the engagement of experienced and qualified independent monitoring agencies acceptable to the Bank.

(iv) by May 17, 2009, take all necessary measures or actions to terminate the use of chlordane and mirex in termite control.

(v) take all necessary measures or actions to ensure that starting January 1, 2008, the provincial annual production of chlordane and mirex does not exceed 300 metric tons.
Implementation Agreement

6. The Recipient shall:

   (a) (i) cause each Participating Province and Jiangsu to perform, in accordance with the provisions of their respective Implementation Agreements, all of the obligations of said Participating Province or Jiangsu, as the case may be, therein set forth; (ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Participating Province and Jiangsu to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance; and

   (b) exercise its rights under each of the Implementation Agreements in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant, and except as the Bank shall otherwise agree, not assign, amend, abrogate, or waive any of the Implementation Agreements or any provision thereof.

Annual Action Plan

7. The Recipient shall prepare:

   (a) in accordance with terms of reference satisfactory to the Bank, and beginning 2007 furnish to the Bank by April 15 in each calendar year for review and approval, a proposed action plan (integrating the plan furnished by Participating Provinces and Jiangsu pursuant to paragraph 5 of Annex 1 to Schedule 4 to this Agreement) for the carrying out of the Respective Parts of the Project during the following calendar year; and

   (b) thereafter, carry out and cause to be carried out the Respective Parts of the Project in accordance with such action plan as shall have been approved by the Bank.

Production Control Measures

8. The Recipient shall take all necessary measures or actions to: (a) ensure that starting January 1, 2008, the national annual production of chlordane and mirex does not exceed 300 metric tons; (b) not approve expansion of production capacity in the existing chlordane and mirex production facilities; or establishment of new chlordane and mirex production facilities; and (c) close down any chlordane and mirex production facilities additional to the nine already identified at its own costs.
Monitoring and Reporting

9. The Recipient shall maintain policies and procedures adequate to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Annex 2 to Schedule 4 satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof; and ensure that Jiangsu and each of the Participating Provinces shall maintain policies and procedures, adequate to enable each of them to monitor and evaluate on an ongoing basis, in accordance with said indicators satisfactory to the Bank, the carrying out of its Respective Parts of the Project and the achievement of the objectives thereof.
Annex 1 to Schedule 4

Provisions of Implementation Agreements

For purposes of paragraphs 4(d) and 5 of Schedule 4 to this Agreement, each Implementation Agreement with a Participating Province and with Jiangsu shall contain provisions pursuant to which the Project Province and Jiangsu shall be obligated to carry out the actions applicable to it and set forth below.

Management

1. In order to facilitate the implementation of its Respective Part of the Project, unless the Bank shall otherwise agree, each Participating Province and Jiangsu shall establish and, thereafter, undertake to maintain throughout the period of implementation of its Respective Part of the Project, with terms of reference, membership, staffing and other resources satisfactory to the Bank:

   (a) A Project Implementation Unit (“PIU”) to be responsible for managing activities under its IPM Program.

   (b) A Steering Group to be responsible for providing advice to the PIU on technical, policy, management and other aspects of implementation of its Respective Part of the Project and to include the representatives of the relevant provincial agencies, including the Construction Bureau, Environmental Bureau, the Finance Bureau, and other relevant bureaus.

General Implementation

2. Each Participating Province and Jiangsu shall carry out its Respective Part of the Project with due diligence and efficiency, and in conformity with appropriate administrative, economic, financial, and technical practices and social and environment standards acceptable to the Bank and provide, or cause to be provided, promptly as needed the funds, facilities, services and other resources required for said carrying out of the Project.

3. Without limitation to the foregoing, each Participating Province and Jiangsu shall carry out the following:

   (a) Procure goods, works and services required for its Respective Part of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant in accordance with the provisions of Schedule 3 to this Agreement.

   (b) Insure said goods against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity
thereunder to be made payable in a currency freely usable by the purchaser thereof to replace or repair such goods.

(c) Utilize said goods, works and services exclusively for the purpose of carrying out its Respective Part of the Project.

(d) Enable the Recipient and the Bank to examine all goods, facilities, sites and works included in its Respective Part of the Project, the operation thereof, and any relevant records and documents.

(e) At all times operate and maintain any facilities, equipment and other property relevant to its Respective Part of the Project and promptly, as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, administrative and public health practices.

(f) (i) Prepare and furnish to the Recipient, for its consolidation and submission to the Bank in accordance with Section 4.02(a) of this Agreement, a financial monitoring report, in form and substance satisfactory to the Bank, which:

(A) Sets forth sources and uses of funds for its Respective Part of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds.

(B) Describes physical progress in the implementation of its Respective Part of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of its Respective Part of the Project. In addition, Jiangsu shall include in its report the progress in its implementation of the Environmental Management Plan, the Pest Management Plan and the Social Mitigation Plan.

(C) Sets forth the status of procurement under its Respective Part of the Project, as at the end of the period covered by said report.

(ii) The first FMR shall be furnished to the Recipient not later than 30 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under its Respective Part of the Project through the end of such first calendar quarter; thereafter, each
FMR shall be furnished to the Recipient (for its consolidation and submission to the Bank pursuant to Section 4.02(a) of this Agreement) not later than 30 days after each subsequent calendar quarter, and shall cover such calendar quarter.

(g) Implement the Pest Management Plan in a manner satisfactory to the Bank and designed to ensure that its Respective Part of the Project is implemented in accordance with sound environmental practices and standards.

4. In carrying out its Respective Part of the Project, each Participating Province and Jiangsu shall:

(a) maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures of the departments or agencies of said Participating Province or Jiangsu, as the case may be, that are responsible for carrying out its Respective Part of the Project or any part thereof;

(b) have the records and accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(c) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(d) furnish to the Bank such other information concerning said records and accounts and the audit thereof, as the Bank may, from time to time reasonably request.

Annual Action Plan

5. Each Participating Province and Jiangsu shall:

(a) prepare, in accordance with terms of reference satisfactory to the Bank, and furnish to the Recipient by April 1 in each calendar year for review, approval, consolidation and submission to the Bank in accordance with the provisions in paragraph 7 of Schedule 4 to this Agreement, a proposed action plan for the carrying out of its Respective Part of the Project during the following calendar year, and

(b) thereafter, carry out its Respective Part of the Project in accordance with such action plan as shall have been approved by the Recipient and the Bank.
6. Each Participating Province and Jiangsu shall maintain policies and procedures adequate to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Annex 2 to Schedule 4 satisfactory to the Bank, the carrying out of its Respective Parts of the Project and the achievement of the objectives thereof.
## Annex 2 to Schedule 4

### Monitoring indicators

<table>
<thead>
<tr>
<th>Outcome Indicators</th>
<th>Base Line (%)</th>
<th>Target Values (%)</th>
<th>Data Collection and Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YR1</td>
<td>YR2</td>
<td>YR3</td>
</tr>
<tr>
<td>No use of chlordane and mirex by the termite control professionals in the building construction sector of the demonstration area.</td>
<td>0</td>
<td>5</td>
<td>25</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Results Indicators for Each Component</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component One:</strong></td>
</tr>
<tr>
<td>1. The project team at CIO and provincial PIUs adequately staffed, trained and equipped.</td>
</tr>
<tr>
<td>2. CTA, NTA, and technical experts recruited.</td>
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<tr>
<td>3. Semi-annual Provincial Steering Group meetings conducted.</td>
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<td>Outcome Indicators</td>
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<tr>
<td><strong>Component Two:</strong></td>
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<tr>
<td>Five national and seven provincial policy and regulatory documents reviewed, revised if necessary, or issued in respect to:</td>
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<tr>
<td>1. national and provincial construction codes;</td>
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<tr>
<td>2. national and provincial regulations on termite prevention and controls in the urban sector, in new buildings and in the building construction sector;</td>
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<tr>
<td>3. national registration of IPM compatible termite control technologies; and</td>
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<tr>
<td>4. provincial pricing guidelines for termite prevention and control in the building construction sector.</td>
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<td><strong>Component Three:</strong></td>
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<tr>
<td>1. The IPM Operation and Training Manual disseminated.</td>
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<tr>
<td>2. IPM training conducted to train at least: (i) 3 managerial personnel from each termite station; (ii) about 100 researchers; (iii) 3 trainers from each participating city level station; and (iv) 10 termite control operators from each termite station.</td>
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<tr>
<td>Outcome Indicators</td>
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<tr>
<td>3. About 400,000 in-ground bait stations installed for preventive treatment of newly constructed buildings.</td>
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<tr>
<td>4. About 500,000 above-ground stations installed for remedial treatment of buildings.</td>
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<tr>
<td>5. Use of 150 MT chlordane and mirex for termite control in the demonstration area eliminated.</td>
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<tr>
<td>6. Integrated termite management website published.</td>
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<td><strong>Component four:</strong></td>
</tr>
<tr>
<td>1. Production of 150 MT chlordane and mirex reduced permanently (from the national production level of 450 MT)</td>
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<td>2. Contaminated facilities, equipment and waste from the manufacturing site removed.</td>
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<tr>
<td>3. Hazardous waste from the plant closure properly disposed.</td>
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<tr>
<td>4. Plant owners and workers compensated for lost income.</td>
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<tr>
<td><strong>Component five:</strong></td>
</tr>
<tr>
<td>1. Workshop on monitoring and evaluation conducted</td>
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<td>2. Adequate project management information produced in the</td>
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<tr>
<td>Outcome Indicators</td>
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<tr>
<td>semi-annual progress reports.</td>
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<tr>
<td>3. Four annual implementation review meetings conducted.</td>
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<td>4. Computerized MIS established.</td>
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<tr>
<td>Component Six:</td>
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<tr>
<td>1. National workshop for preparation of the national replication program conducted.</td>
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<tr>
<td>2. National replication program finalized and approved by CIO.</td>
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<td>3. Eight EIAs prepared for the closure of the remaining chlordane and mirex producers.</td>
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<tr>
<td>4. National and global dissemination workshop conducted.</td>
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