Partnership for Market Readiness
Multi-donor Trust Fund
Grant Agreement

(China Partnership for Market Readiness Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

(acting as administrator of the Partnership for Market Readiness
Multi-donor Trust Fund)

Dated  December 23, 2014
PMR GRANT NUMBER TF017222

PARTNERSHIP FOR MARKET READINESS
MULTI-DONOR TRUST FUND
GRANT AGREEMENT

AGREEMENT dated December 23, 2014, entered into between the PEOPLE’S REPUBLIC OF CHINA ("Recipient"), and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of the Partnership for Market Readiness Multi-donor Trust Fund.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions constitute an integral part of this Agreement.

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, as described in Schedule 1 to this Agreement ("the Project"). To this end, the Recipient shall carry out the Project through the Recipient’s National Development and Reform Commission 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 eight
million United States Dollars ($8,000,000) ("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. 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
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

4.02. As part of the evidence to be furnished pursuant to Section 4.01 above, 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 Recipient, showing, 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.

4.03. 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 4.01 ("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 had 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.

4.04. Termination for Failure to Become Effective. 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 V
Recipient's Representative; Addresses

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

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

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Facsimile: 86-10-6855-1125

5.03. 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: INTBAFRA
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:  

Title:  Director General

MINISTRY OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of the Partnership for Market Readiness Multi-donor Trust Fund

By

Authorized Representative

Name:  

Title:  Country Director, China
The objective of the Project is to enable the Recipient to design a national carbon emissions trading scheme.

The Project consists of the following parts:

Part 1: Enabling Design of Key Building Blocks for a National Emissions Trading Scheme

1.1 Development of Methodologies for Coverage, Cap, Allocation and Supplementary Mechanisms. Providing analytical support for identifying the sectors and the types of greenhouse gases of the emission trading scheme, including proposing recommendations on *inter alia*: (a) coverage and scope methodology; (b) cap setting methodology and program; (c) an initial allowance allocation methodology; (d) price containment mechanism options; and (e) offset mechanism options, including options for basic requirements for linking a national emission trading scheme with other systems.

1.2 Development of a Legal Framework and Oversight System. Providing analytical support for identifying *inter alia*: (a) a management system governing the national emissions trading market; (b) a basic legal framework for the national emission trading system, including administrative rules; (c) a plan for a market oversight and compliance mechanism; and (d) the treatment of participants and trading products.

1.3 Development of Data Collection and Monitoring, Report and Verification System. Providing analytical and technical support for developing proposals on data management, greenhouse gas emission accounting standards of enterprises and verification guidelines on selected sectors.

1.4 Development of an Emission Trading Scheme Registry. Providing analytical and technical support for refining the framework of a national emission trading scheme registry.

1.5 Research on Participation of State-Owned Enterprises. Providing analytical support for assessing barriers and proposing measures to facilitate inclusion of state owned enterprises in a national emissions trading scheme.

1.6 Research on Power Sector Issues for a National Emission Trading Scheme. Providing analytical support for assessing specific topics relating to the inclusion of the power sector in a national emissions trading scheme.
1.7 Provincial Level Enterprise and Economic Data Collection and Consultation. Providing support for data collection, research and consultations at the provincial level to assist in the vetting of design aspects of the emissions trading scheme and for the participation of provincial representatives in national consultations for a national emissions trading scheme.


Supporting Project management, stakeholder and expert input and consultations, workshops, study tours, and the preparation of a synthesis report for the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain the following organizations, with terms of reference, powers, functions, and other resources satisfactory to the World Bank, including competent staff in adequate numbers, throughout the period of Project implementation:

   (a) a Project Steering Committee led by the National Development and Reform Commission and with representatives from various ministries and agencies (as set forth in the PIP), for the purpose of, inter alia, providing strategic and policy guidance and institutional coordination for Project implementation;

   (b) a Project Management Office headed by the DCC Director General with responsibility for, inter alia: (i) day-to-day implementation support of the Project, including procurement, financial management, reporting, and monitoring and evaluation of Project; and (ii) coordination and organization of consultations with key stakeholders; and

   (c) a Technical Committee staffed with technical experts with various specializations relevant to the Project, to provide technical guidance, coordination, quality control, and solutions for technical issues under the Project.

B. Project Implementation Plan

1. The Recipient shall carry out the Project in accordance with the arrangements and procedures set out in the Project Implementation Plan, and shall not assign, amend, abrogate or waive the Project Implementation Plan or any of its provisions without prior approval by the World Bank.

2. In the event of any conflict between the provisions of this Agreement and the provisions of the Project Implementation Plan, the provisions of this Agreement shall prevail.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. **Donor Visibility and Visit**

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.

E. **Safeguards**

The Recipient shall ensure that the terms of reference for any consultancies related to studies, assessments and technical assistance activities under the Project (including in particular, but not limited to, the activities under Part 1 of 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 and technical assistance activities.

F. **Annual Work Plans and Budgets**

The Recipient shall: (a) prepare by not later than November 1 of each year, an annual work plan (the "Annual Work Plan") for the following fiscal year in a manner and substance satisfactory to the World Bank, which plan shall identify the Project activities by component and subcomponent, together with their related expenditures and financing sources; and (b) thereafter implement the Project activities during the relevant fiscal year in accordance with such plan as so discussed and agreed with the World Bank.

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

A. **Project Reports; Completion Report**

1. The Recipient shall 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 acceptable to the World Bank and set forth in the Project Implementation Plan. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the
Recipient shall employ consultants in accordance with the provisions of Section III of this Schedule.

B. **Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient, through the Project Management Office, 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. The Recipient shall make the audited Financial Statements publicly available in a timely fashion and in a manner acceptable to the World Bank.

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**Section III. Procurement**

A. **General**

1. **Goods and Non-consulting Services.** All goods and non-consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods 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 and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Direct Contracting; and (b) Shopping.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Single Source Selection (Firm and Individual)</td>
</tr>
</tbody>
</table>

D. Review by the 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.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant, 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Training and Workshops under the Project</td>
<td>6,940,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Incremental Operating Costs under Part 2 of the Project</td>
<td>1,060,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>8,000,000</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.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.
APPENDIX

Definitions

1. "Annual Work Plans" means the 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 pursuant to Section I.F of Schedule 2 to this Agreement.


3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "DCC" means the Department of Climate Change of the National Development and Reform Commission or any successor thereto.

6. "Donors" means, collectively, the World Bank’s development partners that have contributed funds to the PMR multi-donor trust fund at any time during the life of said trust fund; each a "Donor".

7. "Incremental Operating Costs" means the Project-related incremental expenses, based on the Annual Work Plans, incurred on account of Project implementation, management, coordination, and monitoring and evaluation, including per diems of short term experts under the Project, salaries of temporary employees in the Project Management Office, travel costs, vehicle and equipment leasing, rent, maintenance and repair, office rent and supplies, communications costs, logistics and translation services, production and reproduction of documents required for Project implementation, but excluding the salaries, salary supplements and other income subsidy of the Recipient’s civil servants.


10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 31, 2014 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.

11. “Project Implementation Plan” means the Recipient’s plan dated March 31, 2014 providing, inter alia for: (a) the institutional, implementation, supervision, monitoring and evaluation and reporting arrangements for the Project; (b) implementation guidelines for various Project activities, including financial management and procurement, as such plan may be revised from time to time with the prior written consent of the World Bank.

12. “Project Management Office” means the Project management office established by the National Development and Reform Commission on February 18, 2014 and located within DCC, to provide overall Project implementation management and coordination, and referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.

13. “Project Steering Committee” means the Project steering committee established by the National Development and Reform Commission on February 18, 2014 and organized within DCC, to provide strategic and policy guidance and institutional coordination for Project implementation, and referred to in Section I.A.1 (a) of Schedule 2 to this Agreement.


15. “Technical Committee” means the technical committee office established by the National Development and Reform Commission on February 18, 2014, to provide technical guidance, coordination, quality control, and solutions for technical issues under the Project, and referred to in Section I.A.1 (c) of Schedule 2 to this Agreement.

16. “Training and Workshops” means the costs of training activities under the Project and attributable to seminars, workshops, and domestic and overseas study trips, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of
training materials, and other activities directly related to course preparation and implementation.