January 3, 2013

Ms. Zou Jiayi  
Director General  
International Department  
Ministry of Finance  
Beijing, China  

Re: People’s Republic of China: Grant for Preparation of Establishment of Measurement and Verification System for Energy Efficiency in China Project  
GEF/PG Grant No. TF013687-CN  

Dear Ms. Zou:  

In response to the request for financial assistance made on behalf of the People’s Republic of China (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as Implementing Agency of the Global Environment Facility (“GEF”), proposes to extend to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars ($200,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the activities described in the Annex (“Activities”).  

This Grant is funded out of the GEF trust fund for which the World Bank receives periodic contributions from donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), 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.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement. The award of the Grant does not constitute or imply any commitment on the part of the World Bank, either as Implementing Agency of the GEF or in its own capacity, to assist in the financing of any project which may result from the Activities financed by the Grant.  

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,

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

[Signature]
Klaus Rohland
Country Director, China
East Asia and Pacific Region

AGREED:

PEOPLE'S REPUBLIC OF CHINA.

By: ___________________________
Authorized Representative

Name: Zou Jiayi
Title: Director General
International Department, MOF

Date: January 6, 2013

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** 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; provided that for the purposes of this Agreement, the term “Project”, whenever used in the Standard Conditions, shall mean the activities referred to in Section 2.01 of this Annex. In particular, the following terms have the following meanings:

(a) "12th Five-Year Plan" means the Recipient’s 12th Five-Year Plan for National Economic and Social Development, approved on March 14, 2011, setting forth its economic and social development initiatives for the period from 2011 through 2015;

(b) "Economic Construction Department" means the Recipient’s department, under the Ministry of Finance (as hereinafter defined), responsible for the management of economic development, or a successor thereto;

(c) "Guangdong Province" means the province of such name in the south of the Recipient’s territory, or a successor thereto;

(d) "Ministry of Finance" means the Recipient’s ministry responsible for the management of finance, or a successor thereto;

(e) "National Project Management Office" means the Recipient’s office, under the Economic and Construction Department, responsible for the management of the Thermal Power Efficiency Project (as hereinafter defined), or a successor thereto;

(f) "Operating Costs" means the incremental operating costs under the Project incurred by the Recipient for purposes of Project management and implementation, 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 civil service;

(g) "Shandong Province" means the province of such name in the east of the Recipient’s territory, or a successor thereto;

(h) "Shanxi Province" means the province of such name in the west of the Recipient’s territory, or a successor thereto;

(i) "Thermal Power Efficiency Project" means the project described in Schedule 1 to the GEF Grant Agreement dated June 21, 2009 between the Recipient and the
World Bank, acting as an Implementing Agency of the GEF, for that project (GEF Grant No. TF094204-CN), and the objective of which is to reduce coal consumption and greenhouse gas emissions per unit of electricity production in Shanxi Province, Shandong Province, and Guangdong Province; and

(j) "Training" means the cost of training financed under the Project, attributable to in-country courses, seminars, study tours, and workshops, along with the cost of domestic travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

Article II
Grant Execution

2.01. Grant Objective and Description. (a) The objective of the Grant is to prepare the Establishment of Measurement and Verification System for Energy Efficiency in China Project (the Project), the objective of which is to establish a measurement and verification system and a pilot market-based mechanism to support the Recipient to achieve its 12th Five-Year Plan energy saving targets in a cost-effective manner.

(b) The activities ("Activities") for which the Grant is given consist of the following parts:

(i) preparation of an incremental cost analysis, and an estimation of the global environmental benefits of the Project;

(ii) preparation of an implementation plan for the Project;

(iii) carrying out of Project preparation activities, such as development of principles and criteria for eligible energy saving verifiers for receipt of technical assistance under the Project and design of an energy saving obligation and white certificate trading scheme for the Project; and

(iv) carrying out of a survey to assess stakeholders' needs for improving capacity for use of the measurement and verification system to be established under the Project, customization of supporting plans to the selected third-party verifiers and eligible white certificate trading scheme participants, and review of existing practices (institutional framework, capacity, and methodology) for energy saving measurement and verification.

2.02. Grant Execution Generally. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Activities through the Ministry of Finance in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. Institutional and Other Arrangements. (a) The Recipient shall be responsible for management, implementation, including administrative and financial management, disbursement,
and procurement, and monitoring and evaluation of the Activities through the Ministry of Finance, and particularly the National Project Management Office.

(b) To this end, the Recipient shall maintain, throughout implementation of the Activities, the National Project Management Office, with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the World Bank.

2.04. **Completion Report.** 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 (6) months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) 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 semester, covering the semester, in form and substance satisfactory to the World Bank.

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

2.06. **Procurement**

(a) **General.** All goods and services required for the Activities 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:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods; and


(b) **Definitions.** The capitalized terms used in the following paragraphs of 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, III, IV and V of the Consultant Guidelines.

(c) **Particular Methods of Procurement of Goods and Non-Consulting Services.** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.
(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in subparagraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are described in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants’ Qualification; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) **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.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** 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 following table. The table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocation of the amount of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the 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) Consultants’ services and Training</td>
<td>180,000</td>
<td>100</td>
</tr>
<tr>
<td>(2) Goods and Operating Cost</td>
<td>20,000</td>
<td>100</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>200,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Condition.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.
Article IV
Recipient's Representative; Addresses

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

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

Ministry of Finance  
Sanlihe  
Beijing 100820  
China

Facsimile:  
86-10-6855-1125

4.03. **World Bank's Address.** 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