Global Environment Facility
Grant Agreement

(GEF Mainstreaming Integrated Water and Environment Management Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

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

Dated September 29, 2016
GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT

AGREEMENT dated September 29, 2016, entered into between the PEOPLE’S REPUBLIC OF CHINA ("Recipient"); and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

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

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient, through Ministry of Environment Protection (MEP) and Ministry of Water Resources (MWR), shall:

(a) carry out Parts 1.1(i) and (ii), 1.2 (i) to (iv), 3.1, 3.3 and 3.4 of the Project and Part 4 of the Project as it relates to Parts 1.1(i) and (ii), 1.2 (i) to (iv), 3.1, 3.3 and 3.4 of the Project through the Foreign Economic Cooperation Office (FECO), MEP;

(b) carry out Parts 1.1(iii) and (iv), 1.2 (i), 1.2 (iv), 1.2 (v), 3.2, 3.4 and 3.5 of the Project and Part 4 of the Project as it relates to Parts 1.1(iii) and (iv), 1.2 (i), 1.2 (iv), 1.2 (v), 3.2, 3.4 and 3.5 of the Project through the China Irrigation Drainage Development Center (CIDDC), MWR; and

(c) cause Part 2 of the Project and Part 4.5 of the Project as it relates to Part 2 of the Project to be carried out by the Project Participant,

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 nine million five hundred thousand United States Dollars (USD 9,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

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

Article IV
Additional Remedies

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

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

(b) the Project Participant has failed to perform any obligation under the Implementation Agreement;

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

(d) that the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals.
Article V
Effectiveness; Termination

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

(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.

(b) The Implementation Agreement referred to in Section I.A.3 of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Project Participant.

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

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

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

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

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the
Article VI
Recipient's Representative; Addresses

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

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

Ministry of Finance
Sanlihe
Beijing 100820
China

Facsimile:
86-10-6855-1125

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRA D
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: Liu Weihua

Title: Deputy Director General, Department of International Economic and Financial Cooperation, Ministry of Finance.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

By _________________________________

Authorized Representative

Name: Bert Hofman

Title: Country Director, China
SCHEDULE I
Project Description

The objective of the Project is to increase water productivity and reduce pollution discharges in the Project areas to mainstream and scale up an innovative approach to integrated water and environmental management in the three river basins entering the Bohai Sea.

The Project consists of the following parts:


1.1. Carrying out of studies leading to the formulation of new or the application of existing policies and technologies in support of mainstreaming the IWEM approach, including studies on: (i) assessment of Environmental Capacity (EC) for urban environment; (ii) policies on point water pollution source emission rights and their trading; (iii) policies on Evapotranspiration (ET)-based water rights and trading; and (iv) policies on local water service delivery system.

1.2. Preparation of operational manuals and guidelines for the IWEM approach, including manuals and guidelines on: (i) ET/EC-based IWEM approach; (ii) Remote Sensing (RS)-based non-point pollution source control approach; (iii) IWEM-based integrated toxic symptoms; (iv) ET-based water accounting and auditing; and (v) ET-based dual control for groundwater management.

Part 2. Demonstration in Hai Basin on the IWEM Approach

2.1. Application of the IWEM Approach in Chengde, consisting of: (i) the preparation and implementation of a Target Value Allocation Plan (TVAP) for Luan Sub-basin and an Integrated Water and Environment Management Plan (IWEMP) for Chengde; (ii) demonstration on integrated monitoring and evaluation of ecological and water quality status in the Luan River Sub-basin (Hai River Basin); (iii) demonstration on ET-based EC quota management in the sub-river basin of the Luan River; (iv) demonstration on RS-based non-point pollution source control approach; (v) demonstration on water consumption-based water accounting and auditing in both industrial factories and irrigation sites (Chengde and Gaocheng); and (vi) demonstration on point water pollution source emission rights and their trading.

2.2. Application of the IWEM Approach in Shijiazhuang, consisting of: (i) preparation and implementation of an ET/EC-based TVAP for the Hutuo Sub-basin and an IWEMP for Shijiazhuang; (ii) demonstration of ET-based dual-control for groundwater management; (iii) demonstrations on water consumption-based water accounting and auditing in both irrigation sites and
industrial factories (Gaocheng and Chengde); (iv) demonstration on scientific irrigation management at water user associations; (v) demonstration on water pricing reform and local water service delivery system; and (vi) demonstration on ET-based water rights and trading.

Part 3. Scaling up the IWEM Approach in Three River Basins

3.1. Development of a National Water Environment Technology Extension Platform at MEP, consisting of: (i) the development of a national Geographic Information System (GIS) for EC-based river basin management; (ii) the development of an Integrated, Intelligent and International Platform for Environmental Technology (3iPET); and (iii) assessment on effectiveness of water pollution prevention moving towards River Basin District approach.

3.2. Development of a National Water ET Monitoring and Management Platform at MWR, consisting of: (i) the development of a GIS platform for monitoring of irrigated agricultural water savings and groundwater management; (ii) the development of RS/ET-based assessment on water consumption in irrigation areas of semi-arid regions; (iii) the carrying out of a study on RS/ET-based acquisition of irrigation data and information; and (iv) the carrying out of a study on RS-based ET monitoring and analysis in irrigation districts.

3.3. Scaling up the IWEM Approach in the Liao River Basin, including: (i) provision of the manuals prepared and training on the new IWEM approach to the local authorities and stakeholders in the scaling-up areas; (ii) monitoring and analysis of the current status of ET and water pollution and water productivity; (iii) effectiveness assessment of the interventions with application of IWEM approach in the scaling-up areas; and (iv) preparation of comments and recommendations with proposed actions to continue promoting the IWEM approach.

3.4. Scaling up the IWEM Approach in the Hai River Basin, including: (i) provision of the manuals prepared and training on the new IWEM approach to the local authorities and stakeholders in the scaling-up areas; (ii) monitoring and analysis of the current status of ET and water pollution and water productivity; (iii) effectiveness assessment of the interventions with application of IWEM approach in the scaling-up areas; and (iv) preparation of comments and recommendations with proposed actions to continue promoting the IWEM approach.

3.5. Scaling up the IWEM Approach in the Yellow River Basin, including: (i) provision of the manuals prepared and training on the new IWEM approach to the local authorities and stakeholders in the scaling-up areas; (ii) monitoring and analysis of the current status of ET and water pollution and water productivity; (iii) effectiveness assessment of the interventions with application of IWEM approach in the scaling-up areas; and (iv) preparation of comments and recommendations with proposed actions to continue promoting the IWEM approach.
recommendations with proposed actions to continue promoting the IWEM approach.

Part 4. Capacity Building and Project Management

4.1. Carrying out of regional International Water learning activities, including the production of Project experience notes and a results note, establishment of a Project website, and support for Project staff participation in the Biannual International Waters Conferences.

4.2. Provision of technical assistance, through consulting services, to Project entities to support Project implementation.

4.3. Carrying out of training and workshops to increase institutional capacity in the Project entities.

4.4. Support to the establishment of a Project-wide monitoring and evaluation system.

4.5. Support to Project management, including for: (i) the staff, equipment, travel, and operational costs of the Project management offices responsible for Project implementation; (ii) the development of framework agreements between the respective administrative units responsible for environment and water to facilitate the development and implementation of TVAP and IWEMPs; and (iii) coordination meetings between the respective administrative units to support the implementation of these framework agreements.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. The Recipient, through MEP and MWR, shall maintain, and cause the Project Participant to maintain, throughout the period of Project implementation, the following committee, offices, and implementation units with membership, terms of reference, staffing and other resources acceptable to the World Bank:

(a) the Project Steering Committee in MEP, comprised of, inter alia, the Department of Water and Environment Management, the Department of International Cooperation, and the Department of Science, Technology and Standards of MEP, responsible for overall coordination of implementation of the Project;

(b) leaders from the International Cooperation, Science and Technology Department and the Water Resources Department of MWR, responsible for overall coordination of implementation of the Project;

(c) the Central Project Management Office ("Central PMO"), consisting of the MEP Project Management Office ("MEP PMO") in FECO and the MWR Project Management Office ("MWR PMO") in CIDDC, responsible for the implementation of Project activities at the national level and for providing technical assistance to the Chengde Joint PMO and Shijiazhuang Joint PMO at the provincial level;

(d) the Chengde Joint Project Management Office ("Chengde Joint PMO"), responsible for the management and implementation of Project activities in Chengde with the technical assistance of FECO;

(e) the Shijiazhuang Joint Project Management Office ("Shijiazhuang Joint PMO"), responsible for the management and implementation of Project activities in Shijiazhuang with the technical assistance of CIDDC;

(f) the Panel of Experts, responsible for providing technical support to the project management offices referred to in subparagraphs (c), (d), and (e) above; and

(g) sub-grant Project implementation units (PIUs) in public research institutes selected in accordance with eligibility criteria agreed with the
World Bank, to assist the Recipient or the Project Participant in carrying out its Respective Part of the Project.

2. The Recipient, through MEP PMO and MWR PMO, shall, and shall cause the Project Participant to, enter into cooperation framework agreements for the management and implementation of the Project:

(a) between the MEP PMO and the MWR PMO at the central level;

(b) between, on the one hand, the MWR PMO, the Water Affairs Bureau of Shijiazhuang Municipality and other relevant water departments and, on the other hand, the MEP PMO, the Environment Protection Bureau of Shijiazhuang Municipality and other relevant environment departments, for the coordination of the preparation of: (i) the TVAP, in consultation with other stakeholders, for the Hutuo Sub-basin; and (ii) the IWEMP for Shijiazhuang;

(c) between, on the one hand, the MEP PMO, the Environment Protection Bureau of Chengde Municipality and other relevant environment departments and, on the other hand, the MWR PMO, the Water Resources Bureau of Chengde Municipality and other relevant water departments, for the coordination of the preparation of: (i) the TVAP, in consultation with other stakeholders, for the Luan Sub-basin; and (ii) the IWEMP for Chengde;

(d) between the Chengde Municipal Environment Protection Bureau and Chengde Municipal Water Resources Bureau; and

(e) between the Shijiazhuang Municipal Water Affairs Bureau and Shijiazhuang Municipal Environment Protection Bureau.

3. For the purpose of carrying out of the Project Participant's Respective Part of the Project, the Recipient, through MEP PMO and MWR PMO, shall enter into an agreement ("Implementation Agreement") with the Project Participant on terms and conditions satisfactory to the World Bank, which shall include the provisions set forth in Annex 1 to this Schedule 2.

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

5. For the purpose of assisting the Recipient or the Project Participant with the carrying out of its Respective Part of the Project, the Recipient, through MEP
PMO and MWR PMO, shall enter into an agreement ("Sub-grant Agreement") with each sub-grant PIU, under terms and conditions acceptable to the World Bank, which shall include those set forth in Annex 2 to this Schedule 2.

6. The Recipient, through MEP PMO and MWR PMO, shall exercise its rights under the Sub-grant Agreement in such manner as to protect the interests of the Recipient and the World Bank, and to accomplish the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Sub-grant Agreement or any provision thereof.

B. Annual Work Plan and Budget

1. The Recipient, through MEP PMO and MWR PMO, shall:

   (a) furnish to the World Bank for review and approval as soon as available, but in any case not later than December 31 of each year, a consolidated annual work plan, budget, and procurement plan ("Annual Work Plan and Budget") for the Project for each subsequent year of Project implementation, of such scope and detail as the World Bank shall have reasonably requested, except for the annual work plan for the first year of Project implementation, which shall be furnished not later than one (1) month after the Effective Date; and

   (b) thereafter ensure that the Project is carried out in accordance with such Annual Work Plan and Budget as agreed with the World Bank.

2. The Recipient, through MEP PMO and MWR PMO, shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets as annually reviewed and approved by the World Bank, as provided for in the preceding paragraph, in a manner satisfactory to the World Bank, and shall not amend, suspend, or waive the said plan or any part thereof without the prior written agreement of the World Bank. In the event of any inconsistency between the Annual Work Plan and Budget and this Agreement, 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. Safeguards

1. The Recipient, through MEP PMO and MWR PMO, shall, and shall cause the Project Participant to, ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.
2. Without limitation upon the provisions of the preceding paragraph, whenever an additional or revised Environmental Assessment (EA), Environmental Management Plan (EMP), Resettlement Action Plan (RAP), Social Assessment (SA), or Social Management Plan (SMP) shall be required for any proposed Project activity in accordance with the provisions of the Environmental and Social Management Framework (ESMF), the Recipient shall, prior to the commencement of such activity, proceed to have such EA, EMP, RAP, SA, or SMP: (a) prepared in accordance with the provisions of the ESMF; (b) furnished to the World Bank for review and approval; and (c) thereafter adopted and disclosed as approved by the World Bank, in a manner acceptable to the World Bank.

3. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, any Safeguards Instrument, or any provision thereof.

4. The Recipient, through MEP PMO and MWR PMO, shall, and shall cause the Project Participant to, maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the Safeguards Instruments.

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

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

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

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

(c) remedial measures taken or required to be taken to address such conditions.
7. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

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

1. (a) The Recipient, through MEP PMO and MWR PMO, 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 set forth in the Results Framework. Each Project Report shall cover the period of one (1) semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

(b) Without limitation to the provisions of subparagraph (a) above, the Recipient, through MEP PMO and MWR PMO, shall ensure that a consolidated monitoring and evaluation report is prepared for each calendar year during Project implementation on the basis of indicators set forth in the Results Framework and furnished to the World Bank not later than April 30 of the year following the year covered by such report.

2. Without limitation to the provisions of paragraph 1 above, the Recipient, through MEP PMO and MWR PMO, shall prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank no later than June 30, 2019, a mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and the achievement of the objectives thereof during the period following such date.

3. The Recipient, through MEP PMO and MWR PMO, shall ensure that the Completion Report is prepared in accordance with the provisions of Section 2.06 (b) (ii) of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months before the Closing Date.

B. Financial Management; Financial Reports; Audit

1. The Recipient, through MEP PMO and MWR PMO, 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, through MEP PMO and MWR PMO, 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.

3. The Recipient, through MEP PMO and MWR PMO, 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

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

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

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

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

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods 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) National Competitive Bidding, subject to the additional provisions set forth in the box below; (b) Shopping; and (c) Direct Contracting.
The procedures applicable to the procurement of goods and non-consulting services under contracts awarded on the basis of National Competitive Bidding ("NCB") shall be the open tendering procedures set forth in the Recipient's Law on Tendering and Bidding promulgated by its Order No. 21 dated August 30, 1999; provided, however, that such procedures shall be subject to the provisions of Section I, Paragraphs 3.3 and 3.4 of Section III, and Appendix 1 of the Procurement Guidelines, and the additional provisions in the following. In the event of a conflict between the Recipient’s procedures and these NCB Procedure Modifications, the latter shall govern.

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

(ii) All invitations to prequalify or bid shall be advertised in a national newspaper of wide circulation in the Recipient’s country, or on a widely used website / electronic portal with free national and international access acceptable to the World Bank except for goods or non-consulting services contracts that are estimated to cost less than $300,000 equivalent each, or works contracts that are estimated to cost less than $2,000,000 each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of such advertisement (or the date of availability of bidding documents, whichever is later) and the deadline for the submission of bids, and the advertisement and bidding documents shall specify the deadline for the submission of bids. In the case of such advertisement on a website / electronic portal, the notice shall remain readily accessible nationally and internationally until at least the deadline for the submission of bids. Potential bidders shall be allowed to inspect and purchase bidding documents at any time prior to the deadline for the submission of bids.

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

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

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

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

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

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

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

(x) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

(xi) All bid evaluation criteria shall be disclosed in the bidding documents.
documents and quantified in monetary terms or expressed in the form of pass/fail requirements.

(xii) No bid may be rejected solely on the basis that the bid price exceeds any cost estimate or falls outside any margin or bracket of prices or average bids established by the Recipient, as the case may be. Rejection of all bids or re-bidding shall not be allowed solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the World Bank’s prior written agreement.

(xiii) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work or to assume other obligations not stipulated in the bidding documents or otherwise to modify the bid as originally submitted. No negotiations shall be permitted except with the World Bank’s no-objection.

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

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

(xvi) Government-owned enterprises in the Recipient’s country may be permitted to bid or submit a proposal of goods, works, or non-consulting services if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law; and (C) are not a dependent agency of the agency conducting the procurement.

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

(xix) The Recipient, as the case may be, shall have in place an effective and independent protest mechanism for bidders to protest. The bidding documents shall provide the professional title and address of the official to whom such protests should be sent.

C. Particular Methods of Procurement of Consultants' Services

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

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

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

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<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) Eligible Expenditures for the Recipient’s Respective Part of the Project (MEP) and the Project Participant’s Respective Part of the Project (Chengde Joint PMO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Sub-grants</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Goods, non-consulting services, consultants’ services, Training and Workshops, and Incremental Operating Costs</td>
<td>3,950,000</td>
<td>100%</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 December 31, 2021.
Annex 1 to Schedule 2

Principals Terms and Conditions of Implementation Agreement

For the purposes of Section I.A.3 of Schedule 2 to this Agreement, the Implementation Agreement to be entered into by the Recipient, through MEP PMO and MWR PMO, and the Project Participant shall: (1) describe the activities to be implemented by the Project Participant for financing under this Agreement, including, *inter alia*, the scope of activities, quantities of training, quality standards, implementation arrangements, expected outputs, disbursement procedures and payment conditions, and supervision, monitoring and verification procedures; and (2) reflect, *inter alia*, the following terms and conditions, namely that the Project Participant shall undertake to:

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

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

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

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

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

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

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

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

(j) maintain policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed between the Recipient and the World Bank, the carrying out of the Project and the achievement of the objective thereof.
Annex 2 to Schedule 2

Principal Terms and Conditions of the Sub-grant Agreements

For the purposes of Section I.A.5 of Schedule 2 to this Agreement, the Sub-grant Agreements to be entered into by the Recipient, through MEP PMO and MWR PMO with sub-grant PIUs shall reflect, inter alia, the following terms and conditions:

1. For the purpose of assisting the Recipient or the Project Participant with the carrying out of its Respective Part of the Project, the Recipient shall make available to the sub-grant PIU a part of the proceeds of the Grant under terms and conditions acceptable to the World Bank.

2. The Recipient shall have the right to suspend or terminate the right of the sub-grant PIU to use and/or receive the proceeds of the Grant, upon failure by the sub-grant PIU to perform any of its obligations under the Sub-grant Agreement.

3. The sub-grant PIU shall undertake to:

   (a) assist the Recipient or the Project Participant in the carrying out of its Respective Part of the Project with due diligence and efficiency and in accordance with appropriate management, financial and engineering practices, and social and environmental standards acceptable to the World Bank, including the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, and to provide, promptly as needed, the funds, facilities and other resources required for this purpose;

   (b) maintain, throughout Project implementation, staff in adequate numbers and with terms of reference and qualifications acceptable to the World Bank, to be responsible for assisting in the implementation of the Project; and

   (c) take all measures necessary to ensure that the Project is implemented in accordance with the Safeguards Instruments.

4. The sub-grant PIU shall undertake to procure the goods and services to be financed out of the proceeds of the Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement, and to utilize such goods and services exclusively in the carrying out of the Project.

5. The sub-grant PIU shall undertake to enable the World Bank and the Recipient to inspect any relevant records and documents as the World Bank and/or the Recipient shall deem necessary.
6. The sub-grant PIU shall undertake, throughout Project implementation, to:

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

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

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

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

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

2. “Annual Work Plan and Budget” means the consolidated work plan of activities, associated resources, procurement packages, Incremental Operating Costs and budgetary allocations required for a given fiscal year of the Recipient for Project implementation, to be prepared by the Recipient pursuant to Section 1.B of Schedule 2 to this Agreement.


4. “Chengde City” or “Chengde” means the Project Participant’s municipal city of Chengde, or any successor thereto.

5. “China Irrigation Drainage Development Center” or “CIDDC” means the China Irrigation Drainage Development Center established within MWR, as defined herein, or any successor thereto.


7. “Environmental and Social Management Framework” and “ESMF” mean the environmental and social management framework dated March 4, 2016, prepared and publicly disclosed by the Recipient, through MEP PMO and MWR PMO, and approved by the World Bank, which sets out, among other things: (a) the World Bank’s safeguards policies to be taken into account in the development of the technical assistance activities financed under the Project; (b) guidelines and procedures to address environmental and social issues caused by the demonstration activities; (c) the institutional arrangements; and (d) public consultation arrangements; as such framework may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.
8. “Environmental Assessments” and “EAs” mean, collectively, each environmental assessment that may be prepared by the Recipient, through MEP PMO and MWR PMO, or the Project Participant, as the case may be, in accordance with the ESMF, and pursuant to Section I.D.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the World Bank, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities; as said assessments may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessments, and any additional EAs as may be required for Project activities.

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

10. “Foreign Economic Cooperation Office” or “FECO” means the Foreign Economic Cooperation Office established within MEP, as defined herein, or any successor thereto.

11. “Hebei Province” or “Hebei” means the Recipient’s Province of Hebei or any successor thereto.

12. “Implementation Agreement” means the agreement entered into between the Recipient, through MEP PMO and MWR PMO, and the Project Participant, in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement and Annex I to Schedule 2 thereto, as the same may be amended from time to time with the approval of the World Bank.

13. “Incremental Operating Costs” means the operating costs of the Project incurred by MEP PMO and MWR PMO on the basis of the Annual Work Plans and Budgets for purposes of Project management, implementation, and monitoring and evaluation, on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s, or the Project Participant’s civil service.
14. "International Cooperation, Science and Technology Department" means the International Cooperation, Science and Technology Department established within MWR, as defined herein, or any successor thereto.

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

16. "Ministry of Environmental Protection" and "MEP" mean the Recipient’s Ministry of Environmental Protection or any successor thereto.

17. "Ministry of Water Resources" and "MWR" mean the Recipient’s Ministry of Water Resources or any successor thereto.


19. "Procurement Plan” means the Recipient’s procurement plan for the Project dated March 31, 2016 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.

20. "Project Participant” means Hebei Province.

21. "Project Steering Committee” means the steering committee established by the Recipient in MEP on December 12, 2014, and referred to in Section I.A.1 (a) of Schedule 2 to this Agreement, or any successor thereto.

22. "Resettlement Action Plans” and “RAPs” mean, collectively, each plan that may be prepared by the Recipient, through MEP PMO and MWR PMO, or the Project Participant, as the case may be, in accordance with the ESMF, and pursuant to Section I.D.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the World Bank, setting forth the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons; as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans, and any additional RAPs as may be required for Project activities.
23. "Respective Part of the Project" means, for the Recipient and for the Project Participant, the part of the Project specified in Section 2.01 of this Agreement to be carried out by it.

24. "Results Framework" means the Recipient's framework, dated March 31, 2016, and agreed with the World Bank, setting forth the indicators and targets for purposes of monitoring and evaluation of the progress of the Project, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes, appendices, or schedules to such framework.

25. "Safeguard Instruments" means, collectively, the EAs, the EMPs, the ESMF, the RAPs, the SAs, and the SMPs.

26. "Shijiazhuang City" or "Shijiazhuang" means the Project Participant's municipal city of Shijiazhuang, or any successor thereto.

27. "Social Assessments" and "SAs" mean, collectively, each social assessment that may be prepared by the Recipient, through MEP PMO and MWR PMO, or the Project Participant, as the case may be, in accordance with the ESMF, and pursuant to Section 1.D.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the World Bank, and defining details of potential social risks and adverse impacts associated with the implementation of Project activities; as said assessments may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessments, and any additional SAs as may be required for Project activities.

28. "Social Management Plans" and "SMPs" mean, collectively, each plan that may be prepared by the Recipient, through MEP PMO and MWR PMO, or the Project Participant, as the case may be, in accordance with the ESMF, and pursuant to Section 1.D.2 of Schedule 2 of this Agreement, each such plan in form and substance satisfactory to the World Bank, and setting forth the measures for mitigating the social risks and impacts associated with the implementation of Project activities, as well as the administrative and monitoring arrangements for ensuring the implementation of said plans; as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans, and any additional SMPs as may be required for Project activities.


30. "Sub-grant Agreement" means an agreement entered into between the Recipient, through MEP PMO and MWR PMO, and a sub-grant Project implementation
unit, in accordance with Section I.A.5 of Schedule 2 to this Agreement and Annex 2 to Schedule 2 thereto, as the same may be amended from time to time with the approval of the World Bank.

31. "Sub-grants" means, collectively, the portions of proceeds of the Grant made available by the Recipient to sub-grant PIUs under Sub-grant Agreements to assist the Recipient or the Project Participant in carrying out its Respective Part of the Project.

32. "Training and Workshops" means the cost of training financed under the Project, incurred on the basis of the Annual Work Plans and Budgets, attributable to seminars, study tours, and workshops, along with the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

33. "Water Resources Department" means the Water Resources Department established within MWR, as defined herein, or any successor thereto.