Global Environment Facility
Trust Fund Grant Agreement

(Renewable Energy Scale-up Program - Phase I)

between

PEOPLE’S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated August 11, 2005
AGREEMENT, dated August 11, 2005, between PEOPLE’S REPUBLIC OF CHINA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF), in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

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

(C) the Bank has received a letter from the Recipient, dated October 27, 2000, describing a renewable energy scale-up program designed to promote renewable energy development and utilization (the Program) and declaring the Borrower’s commitment to the execution of such program;

(D) the Recipient has requested that the GEF support the Recipient’s execution of the Program through a series of GEF Trust Fund Grants over a period of approximately fifteen (15) years to be utilized by the Borrower in the implementation of the Program;

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

(F) the Recipient has also requested the Bank to provide additional financing towards financing Part B of the Project, and by an agreement of even date herewith between the Recipient and the Bank, the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to eighty seven million Dollars ($87,000,000) (the Loan); and
WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

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

(i) Article I;

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

(iii) Section 3.01;

(iv) Sections 4.01 and 4.06;

(v) Article V;

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

(vii) Section 8.01 (b);

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

(ix) Sections 10.01, 10.03 and 10.04;

(x) Article XI; and

(xi) Sections 12.01(c), 12.03 and 12.04.

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

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

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

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

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

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

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

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

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

(a) “Biomass Technology Sub-project” means a specific biomass technology improvement project selected by the Recipient for financing under Part A.1(d) of the Project in accordance with the provisions of paragraph 5 of Schedule 3 to this Agreement; and Biomass Technology Sub-projects means, collectively, all such Biomass Technology Sub-projects.

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

(c) “Loan Agreement” means the agreement of even date herewith between the Recipient and the Bank for the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Loan Agreement.
(d) “NDRC” means the Recipient’s National Development and Reform Commission and any successor thereto.

(e) "Participating Entity” means a commercial enterprise, research institute or university that the PMO has selected to carry out one or more GEF-funded Sub-projects."

(f) “Procurement Plans” means, collectively, Fujian’s Procurement Plan, dated January 27, 2005, Jiangsu’s Procurement Plan, dated January 30, 2005, and the NDRC’s Procurement Plan, dated March 17, 2005, covering the initial eighteen (18) month period (or longer) of Project implementation for the relevant part of the Project, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation for the relevant part of the Project.

(g) “Project Agreement” means the agreement of even date herewith between the Bank and the Project Companies, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(h) “Project Management Office” and “PMO” means the project management office established in NDRC and maintained in accordance with paragraph 1(b) of Schedule 3 to this Agreement.

(i) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

(j) “Sub-grant” means a grant made, or proposed to be made out of the proceeds of the GEF Trust Fund Grant to an eligible Participating Entity, to finance, in part, one or more eligible (i) Wind Technology Sub-project under Part A.1(c)(i) of the Project, (ii) Biomass Technology Sub-project under Part A.1(d) of the Project; (iii) specialized courses on wind technology at selected research institutions and universities and fellowships to study abroad on the subject matter of renewable energy technology under Part A.1(e) of the Project, and (iv) pilot projects for the scaling-up of renewable energy activities under Part A.2(d) of the Project; Sub-grants” means, collectively, all such Sub-grants.

(k) “Wind Technology Sub-project” means a specific wind technology improvement project selected by the Recipient for financing under Part A.1(c)(i) of the Project in accordance with the provisions of paragraph 5 of Schedule 3 to this Agreement; and Wind Technology Sub-projects means, collectively, all such Wind Technology Sub-projects.
ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to forty million two hundred and twenty thousand Dollars ($40,220,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out Part A of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant (except for Parts A.1(c), A.1(d), A.1(e) and A.2(b); (ii) amount paid (or if the Bank shall so agree, to be paid) on account of a Sub-grant to meet the reasonable cost of goods and services required for a Wind Technology Sub-project, a Biomass Technology Sub-project, the support of postgraduate specialized courses and fellowships on renewable energy and wind technology under Parts A.1(c), A.1(d), A.1(e) of the Project, and pilot projects for the scaling-up of renewable energy activities under Part A.2(b) of the Project, and in respect of which withdrawal from the GEF Trust Fund Grant Account is required.

(b) The Recipient may, for the purposes of Part A of the Project, open and maintain in Dollars a separate special deposit account in a commercial bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2010, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part A of the Project through NDRC with due diligence and efficiency and in conformity with appropriate administrative, engineering, financial and public utilities practices, and with due regard to ecological, environmental and social standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry
out Part A of the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, and services required for Part A of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plans.

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

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

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan to ensure the continued achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

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

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the
financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

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

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

(i) retain, until at least one (1) year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraph 9 of Schedule 3 to this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

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

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

(iii) sets forth the status of procurement under Part A of the Project, as at the end of the period covered by said report.
(b) The first Financial Monitoring Report shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Remedies of the Bank

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

(a) Subject to subparagraph (ii) of this paragraph (a):

(i) the right of the Recipient to withdraw the proceeds of the Loan made to the Recipient for the financing of Part B of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Loan Agreement; or

(ii) the Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Subparagraph (i) of this paragraph (a) shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under the Loan Agreement; and (B) adequate funds for Part B of the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement and the Loan Agreement.

ARTICLE VI

Effectiveness, Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties hereto or the effective date of the Loan Agreement, whichever is later.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.
Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder; provided, however, that if the Loan Agreement terminates prior to the termination of this Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

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

Facsimile:

(86-10) 68551125

For the Bank:

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

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (1-202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People’s Republic of China as of the day and year first above written.

PEOPLE’S REPUBLIC OF CHINA

By: /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ David Dollar

Authorized Representative
SCHEDULE 1
Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods under:</td>
<td></td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory costs) and 75% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(a) Part A.2 of the Project</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td>(b) Part A.3 of the Project</td>
<td>190,000</td>
<td></td>
</tr>
<tr>
<td>(2) Consultants’ Services under:</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Part A.1 of the Project</td>
<td>10,116,00</td>
<td></td>
</tr>
<tr>
<td>(b) Part A.2 of the Project</td>
<td>7,717,00</td>
<td></td>
</tr>
<tr>
<td>(c) Part A.3 of the Project</td>
<td>2,548,00</td>
<td></td>
</tr>
<tr>
<td>(3) Sub-grants under</td>
<td></td>
<td>100% of Sub-grants amounts disbursed</td>
</tr>
<tr>
<td>(a) Part A.1(c) of the Project</td>
<td>6,877,00</td>
<td></td>
</tr>
<tr>
<td>(b) Part A.1(d) of the Project</td>
<td>1,837,00</td>
<td></td>
</tr>
<tr>
<td>(c) Part A.1(e) of the Project</td>
<td>1,990,00</td>
<td></td>
</tr>
<tr>
<td>(d) Part A.2(b) of the Project</td>
<td>2,883,00</td>
<td></td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>642,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>3,220,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>40,220,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule, the terms:

(a) “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region, and expenditures in the currency of the Macao Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed “foreign expenditures”;

(b) “incremental operating costs” means reasonable expenditures directly related to Part A of the Project (which expenditures would not have been incurred absent said Part of the Project) incurred by the Project Management Office in respect of office supplies, communications, logistics and translation services, and transportation, but excluding staff salaries; and

(c) “local expenditures” means expenditures that are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $150,000, may be made in respect of Category (2)(b) on account of payments made for expenditures before that date but after January 1, 2005.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for:
(a) goods costing less than $10,000 equivalent per contract; (b) services of individual consultants costing less than $50,000 equivalent per contract; and (c) services of consulting firms costing less than $100,000 equivalent per contract; (d) Sub-grants; and (e) operating costs; all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditures not inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.
SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to initiate actions to achieve the Program’s objectives countrywide through: (i) developing a legal and regulatory framework for the Mandated Market Policy (MMP); and (ii) providing support for the implementation of said legal and regulatory framework in the Pilot Provinces.

The Project, which constitutes the first phase of the Program, consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:


1. Carrying out a program of institutional strengthening at the national level, consisting of:

   (a) Undertaking studies and research on the MMP development and its implementation, including: distributing national renewable energy targets between provinces; setting the tariff level for renewable energy; sharing the MMP costs between provinces; developing trading schemes to minimize the MMP costs; linking the MMP to carbon trading mechanisms; and preparing a medium to long term plan for renewable energy development.

   (b) Developing regulations to implement the Renewable Energy Law (the REL), and providing training to concerned stakeholders to implement REL and its implementing regulations.

   (c) Improving wind technology, through: (i) financing of specific investment projects to accelerate wind technology development, through the provision of Sub-grants to selected wind equipment manufacturers; (ii) supporting the development and adoption of standards for wind turbines by the Standardization Administration of China; (iii) establishing a wind testing center to be accredited as a testing center meeting internationally recognized standards; (iv) strengthening the capacity of one certification body to certify wind turbine design and performance; and strengthening the capacity of China Certification Accreditation Administration; (v) carrying out capacity building activities and studies to support wind resource assessment; and (vi) carrying out capacity building activities and studies on wind farm implementation.

   (d) Improving biomass utilization technologies through: (i) financing of specific investment projects to improve the quality and reduce the cost of biomass utilization technologies, through the provision of Sub-grants to selected biomass
equipment manufacturers; and (ii) carrying out capacity building activities and studies on biomass electricity project implementation.

(e) Supporting specialized courses on wind technology at selected research institutions and universities and providing fellowships to selected engineers to study abroad on the subject matter of renewable energy technology.

2. Carrying out a program of institutional strengthening at the provincial level in the Pilot Provinces, consisting of:

(a) Preparing provincial renewable energy development strategies; testing renewable energy promotion models; and raising renewable energy awareness among stakeholders.

(b) Supporting the Pilot Provinces to scale up their renewable energy activities, through: (i) identifying and preparing projects that demonstrate a renewable electricity technology or application other than the one supported in the Province under Part B of the Project; and (ii) preparing a pilot offshore wind farm.

(c) Undertaking renewable energy resources assessments in the Pilot Provinces, including assessments on wind, solar energy, biomass, municipal solid waste and small hydropower resources; and preparing and publishing data on said renewable energy resources assessments.

(d) Providing training to renewable energy market participants (including developers, banks, technology and service providers); supporting studies on improvement of approval procedures for renewable energy projects, integration of renewable energy into national electricity grids, and identifying and removing bottlenecks in renewable energy project development; and strengthening the capacity of existing renewable energy development centers.

(e) Providing technical assistance to: (i) support the renewable energy investment project under Part B of the Project in each Pilot Province in the aspects of detailed technical design, procurement, construction, maintenance, and operations; and (ii) carry out pre-investment activities related to the Project’s objectives in each Pilot Province.

3. Strengthening the capacity of the PMO in day-to-day implementation, management, coordination, monitoring, and evaluation of the activities described in this Part A.
Part B: Renewable Energy Investments

1. Developing a wind farm, at Pingtan Island, Fujian, consisting of: installation of wind turbines with an aggregate capacity of about 100 megawatts (MW) and associated civil and electrical works; expansion of an existing control room and a switchyard; and extension of a 110 kV transmission line from the wind farm to the Beicuo Sub-station.

2. Developing a biomass power plant, in Rudong County, Jiangsu, consisting of: installation of a 110t/h straw-fired boiler and a 25 MW steam turbine; and associated civil, mechanical and electrical works.

* * *

The Project is expected to be completed by March 31, 2010.
SCHEDULE 3

Implementation Program

Project Management

1. The Recipient shall, maintain, throughout the period of implementation of Part A of the Project:

(a) the Project Steering Committee, with terms of reference, composition, and other resources acceptable to the Bank, chaired by NDRC and, including, but not limited to, representatives from the Environment and Resources Committee of the National People’s Congress, the Office of Legislative Affairs of the State Council, the Ministry of Finance, the Ministry of Science and Technology, the Ministry of Water Resources, the State Environmental Protection Agency, the State Electricity Regulatory Commission, the State Electric Grid Company, and the China Academy of Science, to be responsible for the overall policy guidance and coordination of the Project implementation among different agencies; and

(b) the Project Management Office established within NDRC, with terms of reference, staffing, and other resources acceptable to the Bank, to be responsible for the overall implementation of Part A of the Project both at the central and provincial levels.

Project Implementation

2. The Recipient shall furnish to the Bank for comments drafts of any laws, regulations and guidelines prepared under Parts A.1(b) and A.2(a) of the Project, and thereafter, submit such draft instruments to the appropriate legislative or executive organ for enactment or issuance, taking into account the Bank’s comments thereof.

3. The Recipient shall:

(a) carry out, under terms of reference satisfactory to the Bank, the studies under Parts A.1(a) and A.2(e) of the Project, and thereafter furnish to the Bank for comments the recommendations of said studies; and

(b) prepare an action plan for the implementation of the recommendations of said studies taking into account the comments of the Bank thereon, and promptly thereafter, carry out such action plan.
4. The Recipient shall:

(a) carry out the renewable energy resources assessments under Part A.2(e) of the Project in accordance with terms of reference acceptable to the Bank, and furnish to the Bank for comments the results of the assessments; and

(b) finalize the results of the assessments taking into account the comments of the Bank thereon, and promptly thereafter, but not later than ninety (90) days after they are finalized, publish the assessments to the public in a manner satisfactory to the Bank.

Wind Technology Sub-projects, Biomass Technology Sub-projects, Fellowships and Specialized Courses on Renewable Energy Technology

5. With respect to Parts A.1(c)(i), A.1(d) and A.1(e) of the Project, the Recipient, shall, through the Project Management Office, appraise, evaluate and select Wind Technology Sub-projects, Biomass Technology Sub-projects, fellowships for specialized courses on wind technologies for financing, in accordance with the provisions of the Project Implementation Plan (prepared for Part A of the Project), including that:

(a) Each Wind Technology Sub-project, Biomass Technology Sub-project, and any sponsored fellowships and specialized courses shall only be approved provided the proposed Wind Technology Sub-project, Biomass Technology Sub-project, fellowship and specialized course and the beneficiaries thereof satisfy the eligibility criteria set forth in the Project Implementation Plan (prepared for Part A of the Project).

(b) In respect of each Wind Technology Sub-project, Biomass Technology Sub-project, renewable energy fellowship and specialized course, the Recipient shall obtain, by written contract with the beneficiary of the Wind Technology Sub-project or the Biomass Technology Sub-project, or any fellowship grantees or universities and research institutions with sponsored specialized courses, or by other appropriate legal means, rights adequate to protect the interests of the Recipient and the Bank, including that said beneficiary shall undertake to:

(i) carry out the Wind Technology Sub-project and Biomass Technology Sub-project, undertake the fellowship or organize the specialized courses with due diligence and efficiency, in accordance with sound financial, technical, public utilities and, if applicable, environmental standards, acceptable to the Bank;

(ii) provide promptly as needed funds and other resources required for the purposes of carrying out the Wind Technology Sub-project, Biomass Technology Sub-project, financing fellowships and sponsoring specialized courses on wind technologies;

(iii) maintain adequate records and accounts;
(iv) procure goods and services required for its Wind Technology Sub-project, the Biomass Technology Sub-project, the granting of fellowships and the coordination of specialized courses;

(v) ensure that the goods and services referred to in (iv) above, to be financed out of the proceeds of the Sub-grants, be procured at reasonable prices, account being taken also of other relevant factors such as time of delivery and efficiency, quality and reliability, and, if applicable, the availability of maintenance facilities and spare parts therefor, and all goods and services shall be used exclusively in the carrying out of the Wind Technology Sub-project, the Biomass Technology Sub-project, the granting of renewable energy fellowships and the coordination of specialized courses;

(vi) maintain and operate its equipment and facilities at all times, and from time to time, promptly as needed, make all necessary repairs and renewals in accordance with sound engineering, financial and industry practices;

(vii) if applicable: (a) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practices; and (b) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation, and delivery of goods financed under the Sub-grants, to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the beneficiary of the Sub-grants to replace or repair such goods;

(vi) enable the Recipient and the Bank to inspect the goods and sites included in the Wind Technology Sub-project and Biomass Technology Sub-project and any relevant records, accounts and documents;

(vii) provide all such information as the Recipient or the Bank may reasonably request regarding the management, operations and financial condition of the beneficiary of the Wind Technology Sub-project and Biomass Technology Sub-project; and

(viii) with respect to a beneficiary that is an enterprise, to provide to the Bank upon the Bank’s request, a copy of the then current year financial statement, record or accounts of said enterprise.
(c) The Recipient shall exercise its rights in respect of each said Sub-project in such manner as to protect the interests of the Recipient and the Bank, and to achieve the purposes of said Wind Technology Sub-project and Biomass Technology Sub-project.

Part A.2(b) of the Project

6. With respect to Part A.2(b) of the Project, the Recipient, shall, through the Project Management Office, evaluate and select the proposals put forward by eligible power project developers for the preparation and demonstration of pilot projects applying renewable energy technology for financing, in accordance with the provisions of the Project Implementation Plan (prepared for Part A of the Project), including that:

(a) Each pilot project may be approved for financing out of the GEF Trust Fund Grant only if the pilot project and beneficiary thereof satisfy the eligibility criteria set forth in the Project Implementation Plan (prepared for Part A of the Project).

(b) In respect of each pilot project, the Recipient, shall obtain, by written contract with the beneficiary of the pilot project, or by other appropriate legal means, rights adequate to protect the interests of the Recipient and the Bank, including that said beneficiary shall undertake to:

(i) provide promptly as needed funds and other resources required for the purposes of the preparation and demonstration of each pilot project;

(ii) maintain adequate records and accounts;

(iii) procure the services required for its pilot project in accordance with the provisions of Schedule 1 to this Agreement;

(iv) enable the Recipient and the Bank to inspect any relevant records, accounts and documents;

(v) provide all such information as the Recipient or the Bank may reasonably request regarding the management, operations and financial condition of the beneficiary of the Sub-grants; and

(vi) with respect to a beneficiary that is an enterprise, to provide to the Bank upon the Bank’s request, a copy of the then current year financial statement, record or accounts of said enterprise.

(c) The Recipient shall exercise its rights in respect of each pilot project in such manner as to protect the interests of the Recipient and the Bank, and to achieve the purposes of preparing and demonstrating said pilot project.
Annual Work Plan and Budget

7. The Recipient, through the PMO, shall:

   (a) prepare and furnish to the Bank by October 31 of each year, an annual work plan and budget for the activities under Part A of the Project to be carried out in the following calendar year, which shall be accompanied by a financing plan and a procurement plan therefor;

   (b) afford the Bank a reasonable opportunity to comment on and exchange views with the PMO on said plan; and

   (c) thereafter, shall carry out Part A of the Project during the following calendar year in accordance with such plans, as shall have been agreed with the Bank.

8. The Recipient through the PMO, shall regularly update the Project Implementation Plan and the Procurement Plan, as provided in Section 3.02 of this Agreement.

Monitoring, Evaluation and Reporting

9. The Recipient shall:

   (a) Maintain policies and procedures adequate to enable it to monitor and evaluate, on an ongoing basis, in accordance with indicators satisfactory to the Bank the carrying out of Part A of the Project and the achievement of the objectives thereof.

   (b) Prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31 and October 31 of each year, commencing on March 31, 2006, a semi-annual report: (i) integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in carrying out Part A of the Project during the preceding calendar semester (or in the case of the last such report furnished for each calendar year, during the preceding calendar year); (ii) setting forth physical and financial progress in the implementation of said Part of the Project both cumulatively and in respect of the period under review; and (iii) setting out the measures recommended to ensure the efficient carrying out of said Part of the Project and the achievement of the objectives thereof during the period following such date.

   (c) Promptly after providing to the Bank each report referred to in sub-paragraph (b) of this paragraph, the Recipient shall review the same with the Bank and thereafter, take all measures required to ensure the efficient completion of Part A of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.
SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for Part A of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term “Authorized Allocation” means the amount of $3,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of $2,000,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of $15,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

   (b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

      (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required
pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

   (b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

   (c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for the Special Account for Part A of the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Part A of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for
Part A of the Project shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6.  (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

   (b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

   (d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
SCHEDULE 5

Procurement and Consultants’ Services

Section I. General

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

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

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

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

1. National Competitive Bidding. Goods under Part A.2 of the Project estimated to cost less than $500,000 equivalent per contract may be procured under contracts awarded: (a) on the basis of National Competitive Bidding; and (b) the following additional provisions:

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

(i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Recipient’s country, except for civil works contracts that are estimated cost less than $2,000,000 equivalent each and for goods, contracts that are estimated to cost less than $300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in
such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

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

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

(iv) All bidders shall be required to provide security in an amount sufficient to protect the Recipient in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.

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

(vi) 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.

(vii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Recipient.

(viii) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

(ix) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.
Re-bidding should not be allowed solely because the number of bids is less than three (3).

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

### Section III. Particular Methods of Procurement of Consultants’ Services

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

**B. Other Procedures**

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

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. **Single Source Selection.** Services for tasks in circumstances which meet the requirement of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank’s prior agreement, be procured in accordance with the provision of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

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

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

Except as the Bank shall otherwise determine by notice to the Recipient, during the first year of the Project, all procurement contracts shall be subject to prior review by the Bank, and thereafter, the Bank’s Prior Review shall take place for: (a) each contract
for goods estimated to cost the equivalent of $10,000 or more; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of $20,000 or more shall be subject to prior approval of the Bank. All other contracts shall be subject to Post Review by the Bank.