December 16, 2015

Mr. Yang Shaolin
Director-General
International Economic
and Financial Cooperation Department
Ministry of Finance
Beijing, China

Re: People’s Republic of China: Grant for the Promotion of Sustainable Cities in China Project
GEF MSP Grant No. TF0A0276

Dear Mr. Yang:

In response to the request for financial assistance made on behalf of the People’s Republic of China (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as Implementing Agency of the Global Environment Facility (GEF), proposes to extend to the Recipient a grant in an amount not to exceed two million United States Dollars (U.S.$2,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

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

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the
countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

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

By

Bert Hoffman
Country Director, China
East Asia and Pacific Region

AGREED:

PEOPLE'S REPUBLIC OF CHINA

By:

Authorized Representative

Name: Yang Yingying

Title: Deputy Director General , International Economic and Financial Cooperation Department

Date: 19/5/2016

Enclosures:


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

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Article I
Standard Conditions; Definitions

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

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following terms have the following meanings:

1. "NCSC" means "National Centre for Climate Change Strategy and International Cooperation", the NDRC's sub-agency responsible for carrying out research on national strategies, policies, regulations, statistics and carbon market to combat climate change.

2. "NDRC" means "National Development and Reform Commission", the Recipient's ministry-level agency responsible for the management of development and reform, or a successor thereto.

3. "Incremental Operating Costs" means the incremental operating costs directly related to the Project incurred by the Project Management Office for purposes of Project management and implementation, monitoring and evaluation, on account of office supplies and consumables, utilities, bank charges, communications, mass media, translation and printing services, within city transportation, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, international travel for representation at conferences, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient's civil service.

4. "Project Management Office" means the Recipient's office established within NCSC and reporting directly to NDRC.

5. "Project Steering Committee" means the Recipient's committee, headed by the Director General of NDRC's Department of Climate Change and including representatives of the ministries and agencies relevant for purposes of the Project.

6. "Training and Workshops" means the costs of training activities under the Project, based on annual work plans and budgets approved by the Bank, and attributable to seminars, workshops, and domestic and overseas training, along with travel and subsistence allowances for participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the enabling policy environment for promoting clean, green and low-carbon urbanization adjusted to the Recipient’s diverse ecological, social and economic context, and to share lessons and models on clean, green and low-carbon urbanization internationally.

The Project consists of the following parts:

**Part 1. Identification of policy/program areas for a clean and green city approach**

(a) Preparing study reports assessing policies, programs and cases promoting low-carbon ecocity development in the Recipient’s territory, including through: (i) the carrying out of a comprehensive literature review of existing studies on clean, green and low-carbon cities programs and initiatives in China; and (ii) organizing seminars with relevant stakeholders and experts.

(b) Preparing study reports reviewing the international experience regarding policies, programs and cases promoting clean, green and low-carbon city development including, through: (i) the carrying out of a comprehensive literature review; (ii) conducting site visits to selected countries and international conferences on clean, green and low-carbon city development; and (iii) participation in seminars and workshops.

(c) Supporting the development of a set of core common indicators suitable to all city typologies to monitor progress toward low-carbon integrated urban development goals.

**Part 2. Identification of primary types of cities and challenges and efforts to address sustainability**

(a) Preparing a study report examining the patterns and paths of low-carbon development suitable for different types of cities in the Recipient’s territory, including the concepts, methodologies, and indicators of existing city remodeling and newly emerged city planning, including through the carrying out of field visits to local cities and organization of a conference.

(b) Developing a typology for city classification and preparing a report identifying at least three key typologies of cities and ranking selected cities in the Recipient’s territory in accordance with such identified typologies.

(c) Preparing a study report assessing the institutional policy framework barriers and analyzing the challenges in promoting clean, green and low-carbon development of selected cities within each typology identified in Part 2(b) of the Project, including through the carrying out of site visits.
Part 3. Development of urban planning tools and institutional frameworks

Assisting in the improvement of, and developing, a set of cross-sectorial urban planning policy tools and institutional frameworks promoting clean, green and low-carbon development.

Part 4. Sharing knowledge and experience concerning clean and green city development and providing a platform for dialogue and cooperation

(a) Designing the framework and mechanism of South-South Cooperation Fund on Climate Change to be managed by NDRC.

(b) Organizing international events, including seminars and workshops, to support international and south-south cooperation and the sharing of lessons learned, including through the dissemination of experiences on the specific issues identified under Part 1 of the Project.

(c) Organizing national events, including seminars and workshops, for relevant stakeholders, regarding lessons learned and challenges faced in the development of clean and green cities, including cities involved in other GEF projects.

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

2.03. Institutional Arrangements

(a) The Recipient shall be responsible for the management, implementation, and monitoring and evaluation of the Project through NDRC.

(b) To this end, the Recipient shall maintain, through NDRC, throughout Project implementation the Project Management Office, which shall be responsible for the management, procurement, reporting, implementation, and monitoring and evaluation of the Project, with an institutional framework, functions, composition, and resources satisfactory to the World Bank.

(c) By no later than January 15, 2016, the Recipient, through NDRC, shall establish, and thereafter maintain throughout the period of Project implementation, a Project Steering Committee, responsible for the provision of overall leadership, guidance, and institutional coordination for implementation in relation to the Project, and with an institutional framework, functions, composition, and resources satisfactory to the World Bank.

2.04. Safeguards. The Recipient, through NDRC, shall ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building under this Agreement shall be satisfactory to the World Bank following its review thereof and, to that end,
such terms of reference shall duly incorporate the requirements of the World Bank’s Safeguard Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

2.05. **Completion Report.** The Recipient, through NDRC, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three months after the Closing Date.

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

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

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

2.07. **Procurement**

(a) **General.** 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:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
(c) **Particular Methods of Procurement of Goods and Non-consulting Services.**
Except as the World Bank may otherwise agree, goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants' Services**

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

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the 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) Goods, non-consulting services, consultants' services, Training and Workshops under the Project</td>
<td>1,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Incremental Operating Costs</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.
3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2017.

**Article IV**

**Recipient’s Representative; Addresses**

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

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

Ministry of Finance  
Sanlihe  
Beijing 100820  
China

Facsimile:  
86-10-6855-1125

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391