Mr. Zheng Xiaosong  
Director General  
International Department  
Ministry of Finance  
Sanlihe, Beijing 100820  
People’s Republic of China

Re: China: Grant for Preparation of Energy Efficiency Promotion in Industry Project  
GEF PPG Grant No. TF096652

Dear Sir:

In response to the request for financial assistance made on behalf of 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 eighty thousand United States Dollars (US$80,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the activities described in the Annex (“Activities”). This Grant is funded out of the GEF for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

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

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Acting as Implementing Agency of the Global Environment Facility

By /s/ David I
David I
Acting Country Director, China
East Asia and Pacific Region

AGREED:
PEOPLE’S REPUBLIC OF CHINA

By: /s/ Zheng Xiaosong

Name: Zheng Xiaosong
Title: Director General
Date: June 30, 2010

Enclosures:
(2) Disbursement Letter dated April 22, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2008 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement; provided that for the purposes of this Agreement the term "Project", whenever used in the Standard Conditions, shall mean the Activities referred to in Section 2.01 of this Annex.

Article II
Grant Execution

2.01. **Grant Objectives and Description.** The objective of the Grant is to prepare the Energy Efficiency Promotion in Industry Project ("Project"). The Project has as its objective to improve energy efficiency and reduce greenhouse gas (GHG) emissions in key industrial sectors in China. The activities ("Activities") for which the Grant is given consist of the following parts:

(a) Conduct baseline analysis of current policy framework of industrial energy management in China and lay the foundation for designing and conducting capacity building activities in support to the Energy Conservation Law.

(b) Carry out local consultations and workshops through participation from relevant government agencies, industry associations, research institutions, and relevant stakeholders to seek suggestions and opinions related to the design and implementation of the Project components and activities.

(c) Carry out industry consultation and workshops in different industries to identify the needs and obstacles in implementing energy management capacity building, and determine location and industry types for implementing pilot demonstration projects.

(d) Prepare feasibility studies for the components' design under the Project, including development of key indicators, baselines, and targets for each Project component.

(e) Conduct survey on capacity of existing local energy conservation centers and relevant training institutions in selected provinces, and identify barriers in organizing energy management personnel/manager training program.

(f) Engage international expertise in (i) conducting surveys on best practices of the implementation of energy conservation laws and energy management regulatory system that have been successfully implemented in other countries, and (ii) facilitating preparation of the final draft of the project document for preparation activities.
Develop a preliminary operational management framework, including institutional arrangements and due diligence procedures as well as terms of reference for experts to be selected for carrying out the Project implementation activities.

2.02. Grant Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Activities to be carried out by the Ministry of Industry and Information Technology 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Completion Report. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

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

(b) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions.

(c) Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.05. Procurement

(a) General. All services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”), in the case of consultants’ services.

(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 the Consultant Guidelines.

(c) 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 (QCBS).

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (a) Selection based on Consultants’ Qualifications; (b) Single-source Selection; (c) Selection
of Individual Consultants; and (d) Sole Source Procedures for the Selection of Individual Consultants.

(d) Review by the World Bank of Procurement Decisions. Except as the World Bank shall otherwise specify by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: each contract for consultants' services provided by a firm estimated to cost the equivalent of $100,000 or more. All other contracts shall be subject to Post Review by the World Bank.

(e) Review by the World Bank of Terms of Reference. Except as the World Bank shall otherwise agree, each Terms of Reference for consultants' services to be engaged under this Agreement shall be subject to Prior 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) Consultants’ services</td>
<td>80,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>80,000</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 December 31, 2010.
Article IV
Recipient’s Representative; Addresses

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

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

Ministry of Finance
Sanlihe
Beijing 100820
People’s Republic of 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