Project Agreement

(Follow-Up Project to the Phase I of the Renewable Energy Scale-Up Program)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ZHEJIANG PROVINCE

and

INNER MONGOLIA NORTH LONG YUAN WIND POWER COMPANY

Dated April 26, 2006
PROJECT AGREEMENT

AGREEMENT dated April 26, 2006, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank), and INNER MONGOLIA NORTH LONG YUAN WIND POWER COMPANY (IMNLYWPC) and ZHEJIANG PROVINCE (Zhejiang).

WHEREAS (A) by the Loan Agreement of even date herewith between the People’s Republic of China (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of eighty six million three hundred thirty thousand Dollars ($86,330,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that IMNLYWPC and Zhejiang agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

(B) by a Subsidiary Loan Agreement to be entered into between Inner Mongolia and IMNLYWPC, and pursuant to the arrangements between the Borrower and Inner Mongolia and Zhejiang, respectively, the proceeds of the loan provided for under the Loan Agreement will be made available to each of them on the terms and conditions set forth in said Subsidiary Loan Agreement and arrangements.

WHEREAS IMNLYWPC and Zhejiang, in consideration of the Bank’s entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Each of Zhejiang and IMNLYWPC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical, and
public utilities practice and sound social and environmental standards acceptable to the
Bank, and shall provide, or cause to be provided, promptly as needed, the funds,
facilities, services and other resources required for its Respective Part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section
and except as the Bank shall otherwise agree, Zhejiang and IMNLYWPC shall each carry
out its Respective Part of the Project in accordance with the Implementation Program set
forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of the
goods, works and services required for the Project and to be financed out of the proceeds
of the Loan shall be governed by the provisions of Schedule 1 to this Agreement, as said
provisions may be further elaborated in the Respective Procurement Plans.

(b) Zhejiang and IMNLYWPC shall each update its Respective Procurement
Plan 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 its preceding Procurement Plan,
for the Bank’s approval.

Section 2.03. (a) Zhejiang and IMNLYWPC shall carry out the obligations set
forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating
to insurance, use of goods and services, plans and schedules, records and reports,
maintenance and land acquisition, respectively) in respect of the Project Agreement and
its Respective Part of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without
limitation thereto, Zhejiang and IMNLYWPC shall each:

(i) 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 Bank, Zhejiang and IMNLYWPC, a plan for the
continued achievement of the objectives of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with
Zhejiang and IMNLYWPC on said plan.

Section 2.04. IMNLYWPC shall duly perform all its obligations under its
Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, IMNLYWPC
shall not take or concur in any action which would have the effect of amending,
abrogating, assigning or waiving its Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) Zhejiang and IMNLYWPC shall each, at the request of the
Bank, exchange views with the Bank with regard to progress of its Respective Part of the
Project, the performance of its obligations under this Agreement and in the case of IMNLYWPC, under its Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) Zhejiang and IMNLYWPC shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of the Loan, or the performance by each of Zhejiang and IMNLYWPC of its obligations under this Agreement and under its Subsidiary Loan Agreement (in the case of IMNLYWPC).

ARTICLE III

Management and Operations of IMNLYWPC

Section 3.01. IMNLYWPC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering, technical and public utility practices and sound social and environmental standards acceptable to the Bank, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. IMNLYWPC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

Section 3.03. IMNLYWPC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) Zhejiang and IMNLYWPC shall each 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: (i) in the case of Zhejiang, the operations, resources and expenditures related to its Respective Part of the Project; and (ii) in the case of IMNLYWPC, its operations and financial condition and to register separately the operations, resources and expenditures related to its Respective Part of the Project.

(b) Zhejiang and IMNLYWPC shall:
(i) in the case of Zhejiang, have its financial statements referred to in paragraph (a) of this Section; and in the case of IMNLYWPC, have its financial statements (balance sheets, statements of income and expenses and related statements) 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) each 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 such 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) each 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.

Section 4.02. (a) Without limitation upon Zhejiang’s and IMNLYWPC’s reporting obligations set out in paragraph 7 of Schedule 2 to this Project Agreement, Zhejiang and IMNLYWPC shall each 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 its Respective Part of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in implementation of its Respective Part 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 its Respective Part 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 by each of Zhejiang and IMNLYPWC 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 its Respective Part of the Project through the end
of such first calendar semester; thereafter, each Financial Monitoring Report be furnished to the Bank by Zhejiang and IMNLYPWC not later than forty-five (45) days after each subsequent calendar semester, and shall cover the period not covered by the previous Financial Monitoring Report until the end of such calendar semester.

Section 4.03. (a) IMNLYWPC shall prepare, according to terms of reference satisfactory to the Bank, and, by June 30 of each year commencing on June 30, 2006, furnish to the Bank for review and comments, its rolling long-term financial plan (including projected income statements, sources and uses of funds and balance sheets covering a period of no less than five (5) years).

(b) IMNLYWPC shall prepare, according to terms of reference satisfactory to the Bank, and, by June 30 of each year during Project implementation, commencing on June 30, 2006, furnish to the Bank for review and comments its projected funds flow statement for the coming year, indicating anticipated Project expenditures, sources of funding and indicating commitments of respective financiers to provide such funding.

Section 4.04. IMNLYWPC shall enter into an independent power purchase agreement for the sale of its power to a participant of the Borrower’s electric market by no later than one (1) year after the entry into service of the wind farm plant to be built under Part A of the Project, under terms and conditions satisfactory to the Bank.

Section 4.05. IMNLYWPC shall take all actions as shall be necessary to ensure that it receives at least $20,050,000 equivalent in additional paid-in equity capital, by no later than the date of entry into service of the wind farm plant to be built under Part A of the Project.

Section 4.06. (a) IMNLYWPC shall take all actions as shall be necessary to ensure that the aggregate annual dividends to be distributed to its shareholders in any fiscal year, shall not exceed the said fiscal year’s net earnings of IMNLYWPC during the implementation of its Respective Part of the Project; and

(b) for the purposes of this Section:

(i) the term “net earnings” means the difference between: (A) the sum of revenues from all sources related to operations and net non-operating income; and (B) the sum of all expenses related to operations, including administration, adequate maintenance and depreciation of plants and equipments, taxes and payments in lieu of taxes, interests and other non-cash operating charges, as reflected in the financial projections prepared in accordance with Section 4.03 above; and
the term “net non-operating income” means the difference between: (A) the revenues from all sources other than those related to operations; and (B) the expenses, including taxes and payment in lieu of taxes, incurred in the generation of said revenues.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of Zhejiang and IMNLYPWC thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Zhejiang and IMNLYPWC thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

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

INTBAFRAD  248423 (MCI) or 1-202-477-6391
Washington, D.C.  64145 (MCI)

For Zhejiang:

Zhejiang Provincial Project Office
Room 1019, Buiding 1
No.1 Shengfu Road
Hangzhou
Zhejiang Province
People’s Republic of China

Facsimile:

86-571-87050372

For Inner Mongolia North Long Yuan Wind Power Company:

28 Power Mansion 7th Floor
Xilin Nanlu
Autonomous Region of Inner Mongolia
People’s Republic of China

Facsimile:

0471-6223722

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of: (a) Zhejiang, may be taken or executed by the Governor or any Vice Governor of Zhejiang; and (b) IMNLYWPC, may be taken or executed by the General Manager, or such other person or persons as the General Manager, shall designate in writing, and Zhejiang and IMNLYPWC shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
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.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ David Dollar
Authorized Representative

ZHEJIANG PROVINCE

By /s/ Zhu Guangyao
Authorized Representative

INNER MONGOLIA NORTH LONG YUAN WIND POWER COMPANY

By /s/ Zhu Guangyao
Authorized Representative
SCHEDULE 1
Procurement

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)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $500,000 equivalent per contract, and works estimated to cost less than $15,000,000 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 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 Borrower’s country, except for civil works contracts that are estimated to 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 prequalification 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 Borrower, Zhejiang, and IMNLYWPC 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 Borrower, Zhejiang, and IMNLYWPC, as the case may be.

(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.

(x) 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 and works estimated to cost less than $200,000 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.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to prior review by the Bank:

(a) each contract for goods estimated to cost the equivalent of $500,000 or more;
(b) each contract for civil works estimated to cost the equivalent of $500,000 or more;

(c) the first three contracts for goods and the first three contracts for civil works procured through National Competitive Biddings during the first year of Project implementation and the first contract for goods and the first contract for civil works procured through National Competitive Biddings in each subsequent year under Part B of the Project;

(d) each contract for consultants’ services estimated to cost the equivalent of $100,000 or more; and

(e) the first three contracts for consultants’ services estimated to cost less than $100,000 equivalent each during the first year of Project implementation and the first contract for consultants’ services estimated to cost less than $100,000 equivalent each during the subsequent years of Project implementation.

All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 2

Implementation Program

Project Management and Implementation

1. Zhejiang shall, throughout the period of implementation of its Respective Part of the Project, maintain, or cause to be maintained:

   (a) a Provincial Project Office with members, terms of reference, and other resources acceptable to the Bank, to be responsible for overall coordination of implementation of Part B of the Project;

   (b) the Provincial Hydropower Development and Management Center, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for overseeing implementation of Part B of Project; and

   (c) a Dam Safety Panel, with members, terms of reference, and other resources acceptable to the Bank, to be responsible for the tasks set forth in its Respective Project Implementation Plan.

2. Each of Zhejiang and IMNLYWPC shall: (i) carry out its Respective Part of the Project in accordance with its Respective Project Implementation Plan, in a manner and substance, satisfactory to the Bank; and (ii) provide to the Bank for its prior concurrence any proposed amendment to the provisions of said Project Implementation Plan, and, thereafter, put into effect such amendment as shall have been agreed with the Bank.

Environment Management, Resettlement and Dam Safety

3. IMNLYWPC shall carry out its Respective Part of the Project in accordance with the Environmental Management Plan and the Resettlement Action Plan, in a manner satisfactory to the Bank.

4. In the event that the civil works under a Small Hydropower Sub-project would give rise to Displaced Persons, prior to commencing such works, Zhejiang shall cause the Sub-loan beneficiary to prepare a resettlement action plan satisfactory to the Bank, in accordance with the policies and procedures set forth in the Resettlement Policy Framework, and thereafter, implement the resettlement action plan so approved by the Bank.

5. With respect to a Small Hydropower Sub-project, Zhejiang shall cause its Sub-loan beneficiary to carry out: (i) environmental impact assessments in accordance with the Environmental Management Framework satisfactory to the Bank; and thereafter incorporate appropriate mitigation measures into the relevant Small Hydropower Sub-
project; and (ii) the provisions on dam safety set forth in Zhejiang’s Respective Project Implementation Plan.

Sub-loans and Sub-projects

6. With respect to Part B of the Project:

(a) Zhejiang shall appraise, select, approve, and monitor each Small Hydropower Sub-project in accordance with the provisions of its Respective Project Implementation Plan, including that each Small Hydropower Sub-project may be approved only if the proposed Sub-project and beneficiary thereof satisfy the eligibility criteria set forth in the Zhejiang Project Implementation Plan.

(b) Zhejiang shall make Sub-loans under terms and conditions acceptable to the Bank, which shall include the following: (i) the principal amount of each Sub-loan shall be repaid by a Sub-loan beneficiary to Zhejiang over a period of twenty (20) years, including a grace period of five (5) years; and (ii) the principal amount of the Sub-loan shall be the equivalent in terms of Dollars (determined as of the date, or respective dates of withdrawal from the Loan Account or payment out of the Special Account (as the case may be) of the amount so withdrawn or paid out on account of the cost of goods, works, or services required for such Sub-project and to be financed out of the proceeds of the Loan. Each Sub-loan beneficiary shall be charged: (A) interest on the amount of said Sub-loan withdrawn and outstanding from time to time, at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.06 of this Agreement; (B) a commitment charge on the principal amount of said Sub-loan not withdrawn from time to time at a rate equal to three-fourths of one percent (3/4 of 1%) per annum; and (C) a front-end fee on the principal amount of said Sub-loan at a rate equal to the rate payable by the Borrower pursuant to Section 2.04 of this Agreement.

(c) In respect of each Small Hydropower Sub-project, Zhejiang shall obtain, by written contract with the beneficiary of the proposed Small Hydropower Sub-project, or by other appropriate legal means, rights adequate to protect the interests of the Borrower, Zhejiang, and the Bank, including that said beneficiary shall undertake to:

(i) repay the Sub-loan;

(ii) carry out its Small Hydropower Sub-project with due diligence and efficiency, in accordance with appropriate financial, technical, and public utility practices, including the financial management manual referred to in paragraph 2(c) of Schedule 1 to the Loan Agreement, and sound environmental and social standards acceptable to the Bank;
(iii) carry out: (A) environmental impact assessments in accordance with the Environmental Management Framework satisfactory to the Bank; and thereafter incorporate appropriate mitigation measures into the relevant Small Hydropower Sub-project; and (B) the provisions on dam safety set forth in Zhejiang’s Respective Project Implementation Plan.

(iv) in the event that the civil works under the Small Hydropower Sub-project would give rise to Displaced Persons, prior to commencing such works, prepare a resettlement action plan satisfactory to the Bank, in accordance with the policies and procedures in the Resettlement Policy Framework, and thereafter, implement the resettlement action plan so approved by the Bank;

(v) provide promptly as needed funds and other resources required for the purposes of the Small Hydropower Sub-project;

(vi) maintain adequate records and accounts;

(vii) procure the goods, works, and services required for the Small Hydropower Sub-project in accordance with the provisions of Schedule 1 to the Project Agreement;

(viii) 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;

(ix) enable Zhejiang, the Borrower, and the Bank to inspect the goods and sites included in the Small Hydropower Sub-project and any relevant records, accounts and documents; and

(x) provide all such information as Zhejiang, the Borrower, or the Bank may reasonably request regarding the management, operations and financial condition of the beneficiary of the Small Hydropower Sub-project.

(d) Zhejiang shall exercise its rights in respect of each Small Hydropower Sub-project in such manner as to protect the interests of Zhejiang, the Borrower, and the Bank, and to achieve the purposes of said Small Hydropower Sub-project.
Monitoring and Evaluation

7. Zhejiang and IMNLYPWC shall each:

(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 its Respective Part 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 October 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 its Respective Part 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, Zhejiang and IMNLYWPC shall review the same with the Bank and thereafter, take all measures required to ensure the efficient completion of its Respective Part 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 3

Project Performance Indicators

<table>
<thead>
<tr>
<th>PDO</th>
<th>Outcome Indicators</th>
<th>Use of Outcome Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>To demonstrate early success in large-scale renewable energy development with participating local developers in one pilot province and one pilot autonomous region</td>
<td>Evidence that the market framework in pilot provinces has been established through laws and regulations (through technical and social surveys)</td>
<td>Verify progress toward achievement of PDO</td>
</tr>
<tr>
<td></td>
<td>Evidence that in the pilot provinces the environment for development of renewables has improved (through technical and social surveys)</td>
<td>Gauge project contribution to objectives of the Project</td>
</tr>
<tr>
<td></td>
<td>Evidence of improved quality and reduced cost among manufacturers and service providers in wind turbines (through technical and social surveys)</td>
<td>At midterm review, gauge progress and effectiveness of the Project</td>
</tr>
<tr>
<td></td>
<td>Increased renewable electricity over baseline (TWh/year), increased renewable capacity over baseline (GW), increased size of individual projects</td>
<td>At midterm and phase completion, gauge effectiveness of laws, regulations</td>
</tr>
<tr>
<td></td>
<td>Reduced emissions (million tonnes): Carbon NOx SOx Particulates</td>
<td></td>
</tr>
<tr>
<td>Intermediate Results One per Component</td>
<td>Results Indicators for Each Component</td>
<td>Use of Results Monitoring</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td><strong>Part A:</strong> Capacity to develop, finance, construct and operate wind farms expanded</td>
<td><strong>Part A:</strong> Wind farm at Huitengxile, Inner Mongolia</td>
<td><strong>Part A:</strong> Monitor progress of component</td>
</tr>
<tr>
<td><strong>Part B:</strong> Capacity to develop, finance, rehabilitate/construct and operate small hydro plant expanded</td>
<td><strong>Part B:</strong> Small hydro capacity rehabilitated and newly built in Zhejiang</td>
<td><strong>Part B:</strong> Monitor progress of component</td>
</tr>
<tr>
<td>Outcome Indicators</td>
<td>Baseline</td>
<td>Midterm</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Market framework in Pilot Provinces established through laws and regulations.</td>
<td>None</td>
<td>Some evidence</td>
</tr>
<tr>
<td>Environment for development of renewables improved</td>
<td>None</td>
<td>Some evidence</td>
</tr>
<tr>
<td>Improved quality and reduced cost among manufacturers and service providers in wind turbines</td>
<td>None</td>
<td>Some evidence</td>
</tr>
<tr>
<td>Delivered renewable electricity in 2010 (TWh/yr) and installed renewable capacity in 2010 (GW)</td>
<td>35 7.0</td>
<td>45 8.9</td>
</tr>
<tr>
<td>Annual reduced carbon emissions, (million tonnes); NOx, SOx and TSP (thousand tonnes)</td>
<td>15 (Carbon) 111 (NOx) 554 (SOx) 15 (TSP)</td>
<td>18 (Carbon) 675 (SOx) 18 (TSP)</td>
</tr>
</tbody>
</table>

**Results Indicators for Each Component**

| 100 MW wind farm at Huitengxile, Desheng County, Inner Mongolia selling 245 GWh/year into local grid by 2008 | 0 0 | 100 MW 245 GWh | Six monthly progress reports for supervision | Company progress reports | NLYWPC                                      |
| 28 MW of capacity of small hydro in Zhejiang built or rehabilitated, selling an incremental 95GWh/year into local grid | 0 0 | 28 MW 95GWh | Participant company reports, aggregated into six monthly progress reports for supervision | The Center reports for supervision | ZHPMDC                                      |