

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 028323 CHA  
GEF Trust Fund Grant Agreement related to Loan Number 4304 CHA

Global Environment Facility Trust Fund Grant Agreement

(Energy Conservation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated June 26, 1998

GEF TRUST FUND GRANT NUMBER TF 028323

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 26, 1998, between the 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 are continued in place on the basis set forth in Resolution No. 942 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above;

(D) the Recipient has also requested the Bank to provide additional financing towards the financing 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 equal to sixty three million Dollars (\$63,000,000) (the Loan);

(E) Part A of the Project will be carried out by Beijing Yuanshen Energy

Saving Technology Company, Ltd. (Beijing EMC), Liaoning Province Energy Conservation Technology Development Company, Ltd. (Liaoning EMC) and Shandong Energy Conservation Engineering Company, Ltd. (Shandong EMC) with the Recipient's assistance and, as part of such assistance, the Recipient will make available to Beijing EMC, Liaoning EMC and Shandong EMC a portion of the proceeds of the GEF Trust Fund Grant as provided in this Agreement; 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 and in the Project Agreement of even date herewith among the Bank, Beijing EMC, Liaoning EMC and Shandong EMC;

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 of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (18) and (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- 6.04 and 6.06; (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 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) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

(ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 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;

(iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;

(v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(vii) The second sentence of Section 5.01 is modified to read: "Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

(viii) a new subparagraph is added after subparagraph (j) 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."; and

(ix) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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) "Beijing EMC" means Beijing Yuanshen Energy Saving Technology Company, Ltd., a corporation established and existing under the laws of the Recipient in accordance with: (i) Business Licence No. 11506931, dated April 5, 1996, issued by the Beijing Industry and Commerce Administration Bureau; and (ii) the Beijing EMC Charter.

(b) "Beijing EMC Charter" means the charter of Beijing EMC, dated February 6, 1996, as amended to the date of this Agreement.

(c) "Beijing EMC Subsidiary Grant Agreement" means the agreement to be

entered into between the Recipient and Beijing EMC pursuant to Section 3.02(a)(i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Beijing EMC Subsidiary Grant Agreement.

(d) "Category" means a category set out in the table in paragraph 1 of Schedule 1 to this Agreement.

(e) "Energy Management Companies" means, Beijing EMC, Liaoning EMC and Shandong EMC, collectively, and "Energy Management Company" means any one of them.

(f) "Energy Performance Contract" means, in respect of each Subproject, the agreement referred to in Paragraph B.1 (b) of Schedule 2 to the Project Agreement, to be entered into between the Energy Management Company which proposes to carry out said Subproject and a Host Consumer, as said agreement may be amended from time to time.

(g) "Host Consumer" means an entity which has entered or proposes to enter into an Energy Performance Contract with an Energy Management Company.

(h) "Liaoning EMC" means Liaoning Province Energy Conservation Technology Development Company, Ltd., a corporation established and existing under the laws of the Recipient in accordance with: (i) Business Licence No. 24266542-1, dated May 3, 1996, issued by the Liaoning Industry and Commerce Administration Bureau; and (ii) the Liaoning EMC Charter.

(i) "Liaoning EMC Charter" means the charter of Liaoning EMC, dated March 26, 1996, as amended to the date of this Agreement.

(j) "Liaoning EMC Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and Beijing EMC pursuant to Section 3.02(a)(ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Beijing EMC Subsidiary Grant Agreement.

(k) "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 the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(l) "National Energy Conservation Information Dissemination Center" and "NECIDC" mean the public service unit approved and established by SETC and operating under the NECIDC Charter.

(m) "NECIDC Charter" means the charter of NECIDC dated January 9, 1998, registered with the competent authorities of the Recipient, as amended to the date of this Agreement.

(n) "Pilot Subproject" means a Subproject undertaken by an Energy Management Company on a pilot basis in accordance with Paragraph B.1(a) of Schedule 2 to the Project Agreement.

(o) "Project Agreement" means the agreement of even date herewith among the Bank and the Energy Management Companies, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(p) "Project Line" means Subprojects of a similar type undertaken by an Energy Management Company in accordance with Paragraph B.1(a) of Schedule 2 to the Project Agreement.

(q) "SETC" means the Borrower's State Economic and Trade Commission and any successor or successors thereto.

(r) "Shandong EMC" means Shandong Energy Conservation Engineering Company, Ltd., a corporation established and existing under the laws of the Recipient in accordance with: (i) Business Licence No. 16309542-x, dated June 24, 1996, issued by the Shandong Industry and Commerce Administration Bureau; and (ii) the Shandong Charter.

(s) "Shandong EMC Charter" means the charter of Shandong EMC, dated November 11, 1996, as amended to the date of this Agreement.

(t) "Shandong EMC Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and Shandong EMC pursuant to Section 3.02(a)(iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Shandong EMC Subsidiary Grant Agreement.

(u) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

(v) "Subproject" means a specific investment project to be carried out by an Energy Management Company under Part A of the Project, pursuant to an Energy Performance Contract between such Energy Management Company and a Host Consumer.

(w) "Subsidiary Grant Agreements" means the Beijing EMC Subsidiary Grant Agreement, the Liaoning EMC Subsidiary Grant Agreement and the Shandong EMC Subsidiary Grant Agreement, collectively, and "Subsidiary Grant Agreement" means any one of them.

## 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 in various currencies equivalent to sixteen million three hundred thousand Special Drawing Rights (SDR 16,300,000).

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 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 the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the 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 June 30, 2006 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:

(i) shall carry out Parts B and C of the Project through SETC with due diligence and efficiency and in conformity with appropriate administrative and financial practices and with due regard to ecological and environmental factors, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project; and

(ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause the Energy Management Companies to carry out Part A of the Project, and shall cause each of the Energy Management Companies to perform in accordance with the provisions of the Project Agreement all of its

obligations therein set forth, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable the Energy Management Companies to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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, through SETC, carry out Parts B and C of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) For the purposes of Part A of the Project, the Recipient shall make available, under terms and conditions which shall have been approved by the Bank:

(i) the proceeds of the Grant allocated from time to time to Category (1)(a) to Beijing EMC under a subsidiary grant agreement to be entered into between the Recipient and Beijing EMC (the Beijing EMC Subsidiary Grant Agreement);

(ii) the proceeds of the Grant allocated from time to time to Category (1)(b) to Liaoning EMC under a subsidiary grant agreement to be entered into between the Recipient and Liaoning EMC (the Liaoning EMC Subsidiary Grant Agreement); and

(iii) the proceeds of the Grant allocated from time to time to Category (1)(c) to Shandong EMC under a subsidiary grant agreement to be entered into between the Recipient and Shandong EMC (the Shandong EMC Subsidiary Grant Agreement).

(b) The terms and conditions of the Subsidiary Grant Agreements shall include no deduction or application of any charge, commission or fee of any kind.

Section 3.03. Except as the Bank shall otherwise agree:

(a) procurement of the goods and consultants' services required for Parts B and C 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 3 to this Agreement; and

(b) procurement of the goods 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 the Project Agreement.

Section 3.04. (a) The Recipient and the Bank hereby agree that 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 Part A of the Project shall be carried out by the Energy Management Companies pursuant to Section 2.03 of the Project Agreement.

(b) For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient, through SETC, shall:

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

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, 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, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall 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) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for 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;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) Any of the Energy Management Companies shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the Energy Management Companies will be able to perform its obligations under the Project Agreement.

(c) Any of the Beijing EMC Charter, the Liaoning EMC Charter and the Shandong

EMC Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of any of the Energy Management Companies or its ability to carry out the Project or the ability of any of them to perform any of its obligations under the Project Agreement.

(d) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Energy Management Companies or for the suspension of the operations of any of them.

(e) The right of the Recipient to withdraw the proceeds of the Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Loan Agreement.

## ARTICLE VI

### Effectiveness, Termination

Section 6.01. The following events are specified as conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of the GEF Trust Fund Grant Agreement, have been fulfilled; and

(b) the Subsidiary Grant Agreements have been executed on behalf of the parties thereto.

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 their obligations hereunder.

## 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  
People's Republic of China

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC

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  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Liu Xiaoming

Authorized Representative

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

Facility

By /s/ Jean-Michel Severino

Regional Vice President  
East Asia and Pacific

#### 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:

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods for Pilot Subprojects under Part A of the Project for:		100% of foreign expenditures
(a) Beijing EMC	2,780,000	100% of local expenditures (ex -factory cost)
(b) Liaoning EMC	2,780,000	and 75% of local
(c) Shandong EMC	2,780,000	expenditures for other items procured locally
(d) Unallocated	2,780,000	
(2) Goods under Part B of the Project	960,000	100% of foreign expenditures 100% of local expenditures

			(ex-factory cost) and 75% for other items procured locally
(3)	Consultants' services		100%
	(a) under Part B of the Project	2,740,000	
	(b) under Part C of the Project	1,110,000	
(4)	Training	370,000	100%
	TOTAL	16,300,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient, provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the People's Republic of China for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement.

(b) expenditures under Category (2) or Category (3)(a) unless and until the Bank shall have received evidence satisfactory to it that the performance contract referred to in Part B.2 of Schedule 5 to this Agreement has been entered into between the Recipient and NECIDC in accordance with the provisions of said Part B.2.

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 for: (a) goods under contracts costing less than \$250,000 equivalent each; (b) consulting services under contracts awarded to consulting firms costing less than \$100,000 equivalent each; (c) consulting services under contracts awarded to individual consultants costing less than \$50,000 equivalent each; and (d) training; 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 expenditure not consistent 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 Recipient to: (a) improve the efficiency of energy use in the People's Republic of China; and (b) facilitate reductions in carbon dioxide emissions and other pollutants through energy efficiency investments within the territory of the Recipient.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

Part A: Energy Management Company Demonstration

Demonstration of the energy management company concept through identification and implementation of specific investment projects consisting of either energy conservation technology or techniques, or both, employing Energy Performance Contracts with Host Consumers.

Part B: Information Dissemination

Establishment and operation of a sustainable national energy conservation information dissemination center and the dissemination of information through said center on energy conservation techniques to enterprise or institution managers through, inter alia, the development of new information products including case studies and technical guides.

Part C: Program Management and Monitoring

Strengthening the capacity of the Recipient for project management and monitoring through: (1) the provision of consultants' services in connection with project management, monitoring and evaluation, dissemination of the energy management company demonstration experience and preparation of a proposal for a second phase project to promote the energy management company concept; (2) training of nominated energy experts in energy economics, energy performance contracting and energy conservation techniques; and (3) provision of energy conservation seminars and workshops for selected Project management staff.

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The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: National Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with paragraphs 3.3 and 3.4 of the Guidelines.

Part C: Other Procurement Procedures

International Shopping Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$3,550,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

### 3. Other Review

With respect to each contract not governed by paragraph 2 of this Part, the following procedures shall apply:

(a) prior to selection of the consultants, the terms of reference for said consultants shall be furnished to the Bank for its no-objection; and

(b) thereafter, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 4

### Special Account

#### 1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(a), (1)(b), (1)(c), (2) and (3);

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A(1), B and C 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 an amount equivalent to \$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 an amount equivalent to \$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 shall be equal to or exceed the equivalent of SDR 5,200,000.

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 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, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to 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 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

##### Implementation Program

###### A. Project Management and Monitoring

1. The Recipient shall maintain its project management office in SETC, comprised of a project management unit and an EMC development unit, both with functions and resources acceptable to the Bank and competent staff in adequate numbers, to coordinate and supervise the implementation of the Project.

2. The Recipient shall, through SETC, carry out the training under Part C(2) of the Project in accordance with a training program acceptable to the Bank.

3. The Recipient shall, through SETC, carry out the seminars and workshops under Part C(3) of the Project in accordance with a program acceptable to the Bank.

4. The Recipient shall, through SETC, carry out the preparation under Part C(1) of the Project of a proposal for a second phase project with significant impact within the territory of the Recipient to promote the energy management company concept, in accordance with a schedule acceptable to the Bank. The Recipient may request the GEF to consider providing funding for such second phase project.

5. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out 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 August 31, 2000 and August 31, 2002 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by September 30, 2000 and September 30, 2002, or such later date as the Bank shall request, the respective reports referred to in paragraph (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Bank views on the matter.

###### B. Information Dissemination.

1. The Recipient shall, through SETC, ensure that:

(a) NECIDC shall be maintained with qualified and experienced management and with competent staff in adequate numbers; and

(b) NECIDC shall implement a time-bound project implementation and staffing plan and long-term financial plan, both satisfactory to the Bank.

2. No later than June 30, 1998, the Recipient shall, through SETC, enter into a performance contract with NECIDC, on terms and conditions satisfactory to the Bank, for the purposes of carrying out Part B of the Project.

