

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

June 27, 2011

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

**Re: People's Republic of China: Grant for Strengthening the Social Assessment
Capacity in Urban Construction Projects in China
IDF Grant No. TF099430**

Dear Mr. Zheng:

In response to the request for financial assistance made on behalf of the People's Republic of China (the "Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development (the "World Bank") proposes to extend to the Recipient, a grant from the World Bank's Institutional Development Fund ("IDF") in an amount not to exceed two hundred and fifty thousand United States Dollars (U.S.\$250,000) (the "Grant") on the terms and conditions set forth or referred to in this letter agreement (the "Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex (the "Project").

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 original, 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned original of this Agreement within ninety (90) days after the date of signature of this Agreement by the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

s/ Klaus Rohland

Klaus Rohland
Country Director, China
East Asia and Pacific Region

AGREED:

THE PEOPLE'S REPUBLIC OF CHINA

s/ Zheng Xiaosong

Name: Zheng Xiaosong

Title: Director General

Date: July 7, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank out of Various Funds, dated July 31, 2010.
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

ANNEX

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 31, 2010 (“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 as follows:

(a) “National Development and Reform Commission” means the Recipient’s National Development and Reform Commission, or any successor thereto;

(b) “Ministry of Environment Protection” means the Recipient’s Ministry of Environment Protection, or any successor thereto;

(c) “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto;

(d) “Ministry of Land Resource” means the Recipient’s Ministry of Land Resources or any successor thereto; and

(e) “Ministry of Housing and Urban-Rural Development” means the Recipient’s Ministry of Housing and Urban-Rural Development, or any successor thereto.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Ministry of Housing and Urban-Rural Development in strengthening the social assessment capacity for urban construction projects in China.

The Project consists of the following parts:

1. Develop and publish illustrated social assessment guidelines on municipal public utility construction projects

(a) Prepare and publish an illustrated social assessment guideline for municipal public utility construction projects that includes detailed approaches and methodologies of social screening, social scoping and social assessment, as well as good domestic and international practices to help social assessment practitioners to understand how to identify the social impacts, social risks and social opportunities of a municipal public utility construction project.

(b) Conduct stakeholder consultations for the purpose of quality enhancement and finalization of the illustrated social assessment guidelines for municipal public utility construction projects mentioned in sub-paragraph (a) above, including consultations with the Recipient’s

National Development and Reform Commission, Ministry of Finance, Ministry of Land Resource, Ministry of Environment Protection, selected local governments on provincial, municipal and county levels and invited social assessment experts from universities, research institutes and consulting firms.

(c) Publish and distribute the finalized illustrated social assessment guidelines for municipal public utility construction projects in Chinese free of charge to various stakeholders, including the stakeholders mentioned in sub-paragraph (b) above.

2. Design and implement related training programs

Develop and deliver a nation-wide training program, including training the trainers and training materials for various institutions, including for governmental departments, engineering consultation agencies, scientific research institutes and universities, to successfully implement the illustrated social assessment guidelines for municipal public utility construction projects.

3. Recommend institutional mechanism to integrate social assessment in project lifecycle

Review the existing institutional mechanism of project proposing, project appraising, project implementation and monitoring in municipal public utility construction projects in China, and based on said review and analysis, prepare recommendations on institutional mechanism for social assessment integration into project lifecycle.

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 the Ministry of Housing and Urban-Rural Development in accordance with the provisions of: (a) 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. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than forty-five (45) days after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, 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 five (5) 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 ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements 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 (1) fiscal year of the Recipient. The audited Financial Statements for each 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 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:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of non-consulting services;

(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 ("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 Non-consulting Services. 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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (H) Selection of Individual Consultants; and (I) 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(2) Consultants' Services	166,000	100%
(2) Non-consulting Services	10,000	100%
(3) Training	74,000	100%
TOTAL AMOUNT	250,000	

For the purpose of this Section the terms: (i) "Non-consulting Services" means the services which will be bid and contracted on the basis of performance of measurable physical outputs to cover reasonable costs of publication of guidelines, materials and manuals, which are services that are not covered under any other category of Eligible Expenditures; and (ii) "Training" means the costs associated with training and workshop participation of personnel involved in the implementation of the Project, including travel and subsistence costs for training and workshop participants, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.

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 three (3) years after the date of countersignature of this Agreement by the Recipient.

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:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

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64145 (MCI)

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