

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF022642 CHA
GEF Trust Fund Agreement related to the Loan Number 4488 CHA

Global Environment Facility
Trust Fund Grant Agreement

(Renewable Energy Development 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, 2001

GEF TRUST FUND GRANT NUMBER TF022642 CHA

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 26, 2001, between 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. 94-2 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 thirteen million Dollars (\$13,000,000) (the Loan); and

(E) Parts A and B of the Project will be carried out by Shanghai Municipal Electric Power Company (SMEPC) with the Recipient's assistance and, as part of such assistance, the Recipient will make available to SMEPC 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;

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 for Single Currency Loans of the Bank, dated May 30, 1995 (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (14), (17) and (21), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and 4.06;
 - (v) Article V;
 - (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 (6) 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; and

(vii) a new subparagraph is added after subparagraph (p) 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."

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) "Affected Person" means a person who on account of the execution of Part A of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "Environmental Management Plan" means the environmental management plan, acceptable to the Bank, prepared by SMEPC as part of its feasibility studies in respect of Part A of the Project, for the monitoring and mitigation of environmental impact, as said environmental management plan may be supplemented and amended from time to time with the prior agreement of the Bank.

(c) "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 amended through October 6, 1999, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(d) "Project Agreement" means the agreement of even date herewith between the Bank and SMEPC, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(e) "PV Company" means a commercial enterprise to which the Recipient proposes to make or has made a PV Subgrant.

(f) "PV Implementation Manual" means the manual, satisfactory to the Bank, adopted by the Recipient, through SETC, dated April 1999, for the purposes of making PV Subgrants to PV Companies, as the same may be revised from time to time with the agreement of the Bank.

(g) "PV Project Area" means the Recipient's Provinces of Qinghai, Gansu and Sichuan and Autonomous Regions of Inner Mongolia, Xinjiang and Xizang, together with counties, within the territory of the Recipient, immediately contiguous to any of such provinces or autonomous regions and any other rural areas within the territory of the Recipient as may be agreed by the Recipient and the Bank.

(h) "PV Subgrant" means a grant made or proposed to be made by the Recipient out of the proceeds of the GEF Trust Fund Grant to a PV Company for a PV Subproject.

(i) "PV Subgrant Agreement" means the agreement to be entered into between the Recipient and a PV Company pursuant to Paragraph 4 of Part II of Schedule 4 to the GEF Grant Agreement, as the same may be amended from time to time.

(j) "PV Subproject" means a specific investment project under Part C(1) of the Project for the sale of PV systems within the PV Project Area to be carried out by a PV Company utilizing the proceeds of a PV Subgrant.

(k) "PV System" means either a photovoltaic system or a photovoltaic-wind turbine hybrid system for power generation, consisting of one or more solar photovoltaic panels with a total photovoltaic peak generating capacity of ten watts or greater, a battery, a means for charge and discharge control and related components.

(l) "Quick-response Matching Grant" means a TI Subgrant, as so defined, which qualifies as a Quick-response Matching Grant pursuant to the provisions of paragraph 2 (b) of Part III of Schedule 4 to this Agreement.

(m) "Resettlement Action Plan" means the plan, acceptable to the Bank, dated August 1998, for the compensation, resettlement and rehabilitation of Affected Persons

in respect of Part A of the Project, as said resettlement plan may be supplemented and amended from time to time with the prior agreement of the Bank.

(n) "SETC" means the Recipient's State Economic and Trade Commission and any successor thereto.

(o) "SETC Special Account" means the account established for Parts C and D of the Project and referred to in Section 2.02(b)(ii) of this Agreement.

(p) "Shanghai Municipality" means the Shanghai Municipality, an administrative sub-division of the Borrower, and any successor thereto.

(q) "Special Accounts" means the SP Special Account and the SETC Special Account, collectively.

(r) "SP Special Account" means the account established for Part B of the Project and referred to in Section 2.02(b)(i) of this Agreement.

(s) "SMEPC" means Shanghai Municipal Electric Power Company, a corporation established and existing under the laws of the Recipient in accordance with: (i) Business License No. 1200006260003, issued by Shanghai Municipal Industrial and Commercial Administration Bureau; and (ii) the SMEPC Charter; and any successor thereto.

(t) "SMEPC Charter" means the charter of SMEPC, dated September 9, 1989, as amended to the date of this Agreement.

(u) "Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and SMEPC pursuant to Section 3.02(a) of the GEF Grant Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Grant Agreement; and the term "Subsidiary Grant" means the grant made by the Recipient to SMEPC pursuant to the Subsidiary Grant Agreement.

(v) "Subsidiary Loan Agreement" means the agreement to be entered into between the Recipient and SMEPC pursuant to Section 3.01(c) of the Loan Agreement, as the same may be amended from time to time; and such term includes all schedules to the Subsidiary Loan Agreement; and the term "Subsidiary Loan" means the loan made by the Recipient to SMEPC pursuant to the Subsidiary Loan Agreement.

(w) "TI Company" means an enterprise to which the Recipient proposes to make or has made a TI Subgrant.

(x) "TI Implementation Manual" means the manual, satisfactory to the Bank, adopted by the Recipient, through SETC, dated April 2000, for the purposes of making TI Subgrants to TI Companies, as the same may be revised from time to time with the agreement of the Bank.

(y) "TI Subgrant" means a grant made or proposed to be made by the Recipient out of the proceeds of the GEF Trust Fund Grant to a TI Company for a TI Subproject.

(z) "TI Subgrant Agreement" means the agreement to be entered into between the Recipient and a TI Company pursuant to Paragraph 4 of Part III of Schedule 4 to the GEF Grant Agreement, as the same may be amended from time to time.

(aa) "TI Subproject" means a specific investment project under Part D(1) of the Project for improvement of photovoltaic and wind power technology to be carried out by a TI Company utilizing the proceeds of a TI Subgrant.

(bb) "Windfarm Company" means the subsidiary corporation of SMEPC responsible for carrying out Part A of the Project pursuant to an arrangement entered into between the Windfarm Company and SMEPC pursuant to Paragraph 2(a) of Schedule 2 to the Project Agreement.

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 twenty one million three hundred thousand Special Drawing Rights (SDR 21,300,000).

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 open and maintain in Dollars two special deposit accounts: (i) one for the purposes of Part B of the Project, (the SMEPC Special Account), and (ii) one for the purposes of Parts C and D of the Project (the SETC Special Account), each 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 Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2007 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 C and D of the Project through SETC with due diligence and efficiency and in conformity with appropriate administrative, engineering 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 the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause SMEPC to carry out Parts A and B of the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of SMEPC therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SMEPC 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 carry out Parts C and D of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) For the purposes of Part B of the Project, the Recipient shall make available to SMEPC a portion of the proceeds of the Grant under a subsidiary grant agreement to be entered into between the Recipient and SMEPC, under terms and conditions which shall have been agreed by the Bank.

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

(c) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant, and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

Section 3.03. Except as the Bank shall otherwise agree:

(a) procurement of the goods and consultants' services required for Part B 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; and

(b) procurement of the goods and consultants' services required for Parts C(2), C(3) and D(2) 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.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, or cause to be prepared, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) 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 the Project; and

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

ARTICLE IV

Financial Covenants

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 Accounts 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 (p) of the General Conditions, the following additional events are specified:

(a) SMEPC 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 SMEPC will be able to perform its obligations under the Project Agreement.

(c) 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 Agreement shall have been executed on behalf of the Recipient and SMEPC in accordance with Section 3.02(a) of the GEF Trust Fund Grant Agreement.

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 Ministry 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:	Telex:	Facsimile:
FINANMIN Beijing	22486 MFPRC CN	8610-6855-1125

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 Washington, D.C.	248423 (MCI) 64145 (MCI)	(202)-477-9391

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.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zou Jiayi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an implementing agency of
the Global Environment Facility

By /s/ Yukon Huang

Authorized Representative

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) Consultants' services		100%
(a) under Part B of the Project	1,200,000	
(b) under Part C of the Project	5,130,000	
(c) under Part D of the Project	570,000	
(2) Goods		
(a) under Part C of the Project	400,000	100% of foreign expenditures,
(b) under Part D of the Project	80,000	100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) PV Subgrants	11,790,000	100%
(4) TI Subgrants	2,130,000	50%
TOTAL	21,300,000	

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 and expenditures in the currency of the Macau Special Administrative Region of the Recipient for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means expenditures that are not foreign expenditures.

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 (1)(b) of the table set forth in paragraph 1 above, until the Bank shall have approved a work plan for the first year of implementation of Part C(2) of the Project, furnished to the Bank in accordance with paragraph 6(b) of Part II of Schedule 4 to the GEF Grant Agreement; and (c) expenditures under Category (1)(c) of the table set forth in paragraph 1 above, until the Bank shall have approved a work plan for the first year of implementation of Part D(2) of the Project, furnished to the Bank in accordance with paragraph 5(b) of Part III of Schedule 4 to the GEF Grant Agreement.

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) PV Subgrants; (b) TI Subgrants; and (c) goods under contracts costing less than \$100,000 equivalent each; 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 objective of the Project is to assist the Recipient to establish sustainable markets for wind and photovoltaic energy technologies in order to: (i) supply electricity in an environmentally sustainable manner; and (ii) increase access of isolated populations within the territory of the Borrower to electricity services.

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: Windfarm Development

Installation of grid-connected windfarms with an aggregate power generating capacity of approximately 20 megawatts (MW), at: Chongming Island (14 MW) and Nanhui (6 MW), Shanghai Municipality.

Part B: Windfarm Institutional Strengthening

(1) Development and implementation of a program of institutional strengthening for the Windfarm Company, including its organizational structure, management practices and financial accounting practices and reporting systems, and provision of training, including overseas study tours, to selected staff of SMEPC and the Windfarm Company in construction and operations and maintenance management, management, finance and windfarm technology and operations.

(2) Establish procedures for and carry out Project engineering, construction management and operation and maintenance activities for the Windfarm Company, including review of detailed engineering, designs, drawings and specifications; and.

(3) Collection and analysis of performance data for existing and planned windfarms within Shanghai Municipality and dissemination of said data within the territory of the Recipient.

(4) Increase the Recipient's capacity to promote private sector participation in windfarm development by undertaking legal, contractual and technical preparatory work, including resource assessment within Shanghai Municipality, for the development of large coastal windfarm sites, through the provision of training and consultants'

services.

Part C: Solar Photovoltaic Energy Development

(1) Financing of specific investment projects for the supply and after-sales support of about 10 MW of photovoltaic generating capacity consisting of approximately 350,000 PV Systems in the PV Project Area, through the provision of PV Subgrants to PV Companies.

(2) Carrying out in the PV Project Area of a program of photovoltaic market development activities, including: (a) carrying out of a public information program; (b) provision of training to staff of PV Companies in financial management, contract management, technical and commercial practices, accounting and auditing; (c) carrying out of a study of options for consumer financing of photovoltaic systems and development and implementation of an action plan to implement recommended options; (d) carrying out of a program of monitoring of the photovoltaic market in the PV Project Area; and (e) developing and carrying out of specific market development activities in response to market conditions.

(3) Carrying out of a program of institutional strengthening of SETC and the PV Companies, including: (a) product testing and certification by selected certification laboratories; introduction of national standards for photovoltaic systems and components; and implementation of quality improvement and control measures; and (b) project management support for SETC in contract management, accounting, financial management and grant processing; updating the Recipient's photovoltaic market development strategy; and monitoring and evaluation of Project implementation; with the provision of consultants' services.

Part D: Technology Improvement

(1) Financing of specific investment projects to accelerate innovation in photovoltaic and photovoltaic hybrid technology, through the provision of TI Subgrants to TI Companies.

(2) Carrying out of a program of institutional strengthening of TI Companies, including: (a) awareness building workshops for industry on technology improvement, technology transfer mechanisms, quality control and technology certification; and (b) program management support for SETC in the carrying out of Part D(1) of the Project, including solicitation of technology improvement investment project proposals from industry; evaluation, ranking and selection of proposals; preparation and conclusion of contracts with investment project sponsors; and monitoring and evaluation of investment project implementation, with the provision of consultants' services.

(3) Financing of specific investments to bring technology innovations supported by TI Subgrants into commercial production or application, through the provision of commercial loans to selected TI Companies.

* * *

The Project is expected to be completed by December 31, 2006.

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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Shopping

Goods under Parts C(2) and D(2) of the Project, estimated to cost less than \$150,000 equivalent per contract, shall 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 C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to obtaining price quotations 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 to be procured in accordance with the procedures referred to in Part B above and estimated to cost the equivalent of \$100,000 or more, the following procedures shall apply:

(a) prior to the selection of any supplier under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;

(b) prior to the execution of any contract procured under shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and

(c) the procedures set forth in paragraphs 2(f), 2(g) 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 and January 1999 (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 for institutional strengthening and training under Parts C and D of the Project 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 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for audit of PV Systems estimated to cost less than US\$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for implementation of management information systems estimated to cost less than US\$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. 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 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, 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.

SCHEDULE 4

Implementation Program

Part I. Project Management and Monitoring.

1. 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 March 15 and September 15 in each year, commencing March 15, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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, within thirty days of submission to the Bank, or such later date as the Bank shall request, the reports referred to in paragraph (b) of this Section, 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 report and the Bank's views on the matter.

2. The Recipient shall maintain throughout the period of implementation of the Project a Project Management Office in SETC with terms of reference and resources acceptable to the Bank, and with competent staff in adequate numbers.

Part II. Solar Photovoltaic Development.

1. The Recipient shall, through SETC, carry out Part C(1) of the Project in accordance with the PV Implementation Manual and with the provisions of this GEF Grant Agreement.

2. No PV Subproject shall be eligible for a PV Subgrant unless the PV Subgrant Agreement for such PV Subproject shall have been approved by the Bank.

3. When presenting a PV Subgrant Agreement to the Bank for approval, the Recipient shall, through SETC, furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the PV Company and an appraisal of the PV Subproject, in accordance with the PV Implementation Manual; (ii) the proposed terms and conditions of the PV Subgrant; and (iii) such other information as the Bank shall reasonably request.

4. PV Subgrants shall be made on terms whereby the Recipient shall obtain, by written contract with the PV Company (the PV Subgrant Agreement) or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Recipient, including the right to:

- (i) require the PV Company to carry out the PV Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and to maintain adequate records;
 - (ii) require that PV System components shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor;
 - (iii) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such PV Company's PV Systems and the installation thereof and any relevant records and documents;
 - (iv) obtain all such information as the Bank or the Recipient shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the PV Company and to the benefits to be derived from the PV Subproject;
- and
- (v) suspend or terminate the eligibility of the PV Company to receive the proceeds of the GEF Trust Fund Grant upon failure by such PV Company to perform its obligations under its contract with the Recipient.

5. The amount of a PV Subgrant to a PV Company shall be equivalent to \$1.50 per watt-peak (Wp) photovoltaic capacity for each PV System installed. Payments of PV Subgrants will be made to each PV Company in accordance with the PV Implementation Manual.

6. The Recipient, through SETC, shall: (a) carry out Part C(2) of the Project in accordance with a market development program framework acceptable to the Bank; (b) no later than October 31 in each year, commencing October 31, 2001, submit to the Bank for its review and approval, a detailed annual work plan for the following calendar year under the Recipient's market development program framework; (c) no later than December 31 in each year finalize each such work plan taking into account the Bank's comments thereon; and (d) thereafter carry out said work plan in a manner satisfactory to the Bank.

7. The Recipient shall carry out Part C(3) of the Project in accordance with an institutional strengthening program acceptable to the Bank.

Part III. Technology Improvement.

1. The Recipient shall, through SETC, carry out Part D(1) of the Project in accordance with the TI Implementation Manual and with the provisions of this GEF Grant Agreement.

2. No expenditures for goods or services required for a TI Subproject shall be eligible for financing out of the proceeds of the GEF Trust Fund Grant unless: (a) for TI Subgrants other than Quick-response Matching Grants, the TI Subgrant Agreement for such TI Subproject shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 3 of Part III of this Schedule in respect of such TI Subgrant; or (b) the TI Subgrant for such TI Subproject shall have been a Quick-response Matching Grant for which the Bank has

authorized withdrawals from the Grant Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 3 (b) of Part III of this Schedule in respect of such Quick-response Matching Grant. For the purposes of this Agreement, a Quick-response Matching Grant shall be a TI Subgrant for a TI Subproject in an amount to be financed out of the proceeds of the GEF Trust Fund Grant which, except as the Bank shall otherwise agree, shall not exceed: (i) \$10,000 equivalent for each TI Subproject; or (ii) \$1,000,000 equivalent, when added to all other Quick-response Matching Grants financed or proposed to be financed out of the proceeds of the GEF Trust Fund Grant.

3. When presenting a TI Subgrant (other than a Quick-response Matching Grant) to the Bank for approval, the Recipient shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the TI Company and an appraisal of the TI Subproject in accordance with the TI Implementation Manual, including a description of the expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant and the expenditures financed or proposed to be financed by the TI Company from sources other than the GEF Trust Fund Grant; (ii) the proposed terms and conditions of the TI Subgrant; and (iii) such other information as the Bank shall reasonably request.

4. TI Subgrants shall be made on terms whereby the Recipient shall obtain, by written contract with the TI Company (the TI Subgrant Agreement) or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Recipient, including the right to:

- (i) require the TI Company to carry out the TI Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and to maintain adequate records;
 - (ii) require that: (a) the goods to be financed out of the proceeds of the TI Subgrant shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and (b) such goods shall be used exclusively in the carrying out of the TI Subproject;
 - (iii) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the operation thereof and any relevant records and documents;
 - (iv) require that: (a) the TI Company shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (b) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the TI Subgrant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the TI Company to replace or repair such goods;
 - (v) obtain all such information as the Bank or the Recipient shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the TI Company and to the benefits to be derived from the TI Subproject;
- and
- (vi) suspend or terminate the right of the TI Company to the use of the proceeds of the GEF Trust Fund Grant upon failure by such TI Company to perform its obligations under its contract with the Recipient.

5. The Recipient, through SETC, shall: (a) carry out Part D(2) of the Project in accordance with an institutional strengthening program satisfactory to the Bank; (b) no later than October 31 in each year, commencing October 31, 2001, submit to the Bank for its review and approval a detailed annual work plan for the following calendar year; (c) no later than December 31 in each year finalize said work plan taking into account the Bank's comments thereon; and (d) thereafter carry out each such work plan in a manner satisfactory to the Bank.

6. The Recipient, through SETC, shall carry out Part D(3) of the Project in accordance with a plan acceptable to the Bank.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of the SP Special Account, Category (1)(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part B of the Project, and in the case of the SETC Special Account, Categories (1)(b), (1)(c), (2)(a), (2)(b), (3) and (4) set forth in said table in respect of Parts C and D of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts B, C and D 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 \$250,000 in respect of the SP Special Account and an amount equivalent to \$2,000,000 in respect of the SETC Special Account, to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Accounts 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 \$150,000 in respect of the SP Special Account and an amount equivalent to \$1,200,000 in respect of the SETC Special Account until: (i) in respect of the SP Special Account, the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to the eligible Categories for said Special Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Part B of the Project shall be equal to or exceed the equivalent of SDR 550,000; and (ii) in respect of the SETC Special Account, the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to the eligible Categories for said Special Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts C and D of the Project shall be equal to or exceed the equivalent of SDR 5,900,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Bank requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

