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GEF GRANT NUMBER TF097197

# **Global Environment Facility Grant Agreement**

(Sustainable Development in Poor Rural Areas 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 August 25, 2010

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**GRANT NUMBER TF097197**

**GLOBAL ENVIRONMENT FACILITY  
GRANT AGREEMENT**

AGREEMENT dated August 25, 2010, entered into between PEOPLE'S REPUBLIC OF CHINA ("Recipient"), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF").

The Recipient and the World Bank hereby agree as follows:

**Article I**

**Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants made by the World Bank out of Various Funds, dated July 1, 2008 ("Standard Conditions") constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Loan Agreement, or in this Agreement.

**Article II**

**The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall: (i) through the CPCO carry out its Respective Parts of the Project in accordance with the provisions of Article II of the Standard Conditions; (ii) cause the Project Implementing Entities to carry out their Respective Parts of the Project, in accordance with the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entities ("Project Agreement").
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **Article III**

#### **The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million two hundred and sixty five thousand United States Dollars (US\$4,265,000) (“Grant”) to assist in financing Part D of the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

### **Article IV**

#### **Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following:
  - (a) Any of the Project Implementing Entities has failed to perform any obligation under the Project Agreement.
  - (b) The World Bank has declared any of the Project Implementing Entities ineligible to be awarded a contract financed by the World Bank.
  - (c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that any of the Project Implementing Entities will be able to perform its obligations under the Project Agreement.
  - (d) (i) Subject to sub-paragraph (ii) of this paragraph:
    - (A) the right of the Recipient to withdraw the proceeds of any loan made to the Recipient for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
    - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

- (ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that:  
(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.
- (e) The World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

## **Article V**

### **Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank showing that the conditions specified below have been satisfied:
  - (a) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action; and
  - (b) that the Loan Agreement dated the same date as this Agreement, between the Recipient and the World Bank, providing a loan in support of the Project ("Loan Agreement") has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matter: on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required

pursuant to Section 5.01 of this Agreement (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

- 5.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

## Article VI

### Recipient’s Representative; Addresses

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Minister of Finance.
- 6.02. 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

- 6.03. 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 address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zheng Xiaosong  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
(acting as an Implementing Agency of the  
Global Environment Facility)

By /s/ Klaus Rohland  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (a) to explore and pilot more effective and innovative ways of providing poverty reduction assistance to the poorest communities and households in Henan Province, Shaanxi Province and Chongqing Municipality (the Project Provinces) through community-driven development and participatory approach; and (b) to pilot sustainable land management and adaption measures to address vulnerability to climate change in poor rural areas in the Project Provinces.

The Project consists of the following parts:

#### **Part A: Community-Driven Development**

1. Development of basic rural infrastructure in poor villages through the provision of investment support and related technical assistance for the construction and improvement of, inter alia, village access roads, drinking water supply systems, rural sanitation infrastructure, electrification, communication infrastructure, school building construction and repair, small-scale agriculture production infrastructure, and basic housing repair.

#### **Part B: Community Development Financing and Capacity Building for CDD and CDF**

1. Provision of Community Development Financing to Community Cooperatives to finance CDF Sub-grants and/or CDF Sub-loans in support of household-level productive activities, including improved and diversified crop production, animal husbandry, and other income generating activities.
2. Provision of technical assistance and capacity building support at the village level to support the CDD and CDF activities under Parts A.1 and B.1 of the Project, including:
  - (a) information dissemination, mobilization of villagers, formulation of community annual investment plans and village medium-term development plans; and preparation, technical evaluation, implementation and inspection of the above-mentioned CDD activities; and
  - (b) the development, implementation, management and supervision of productive activities, including farmer training in technical and vocational skills, infrastructure operation and management, and skills training for women; support for extension services in the areas of access

to market information, and awareness campaigns about off-farm labor opportunities for farmers.

### **Part C: Rural Migrants Support**

1. Carrying out activities to improve the condition of rural migrant workers in urban areas in Chongqing, including construction/improving migrant worker dormitories and migrant workers service centers, provision of vocational training and job placement assistance; establishing migrant community service centers to provide social services.
2. Provision of MLMS Financing to MLMAs to finance MLMS Sub-grants and/or MLMS Sub-loans in support of migrant workers and migrant workers' micro-enterprises.
3. Strengthening the monitoring and evaluation system relating to the welfare of migrant workers; carrying out research to examine the relationship between migration and poverty alleviation; and conducting training and study tours to strengthen the capacity of the Chongqing municipal government in administering migrant workers' affairs.

### **Part D: Sustainable Land Management and Adaptation**

1. Designing and implementing sustainable land management and adaptation pilot activities based on community participation through promoting adaptation measures in small infrastructure and agricultural improvement projects; and providing technical assistance to communities and township technical staff in the design, implementation, and monitoring of the above-mentioned pilot activities.
2. Disseminating the experience of implementation of the pilot activities referred to in D.1 above and promoting the integration of such interventions in the CDD activities under Part A of the Project.
3. Supporting policy studies analyzing the linkages between poverty, vulnerability to climate change, and adaptation; and conducting consultation workshops to facilitate experience exchanges among agencies with responsibilities in land and water resources management, agriculture, forestry, and other aspects of climate change adaptation.

### **Part E: Project Management, Monitoring and Evaluation**

1. Strengthening the capacity of the Project implementing agencies at all levels in Project management, monitoring, and evaluation through the provision of office furniture and equipment, vehicles (where applicable), related technical assistance, workshops, and international training and study tours.



2. Designing and implementing a comprehensive Project management information system, including reporting progress, financial management and impact monitoring and evaluation, and domestic training (including workshops) and study tours.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **Financing Arrangements**

1. To facilitate the carrying out of Part D of the Project, the Recipient shall make a portion of the proceeds of the Grant available to the Project Implementing Entities on a grant basis and under conditions satisfactory to the World Bank, including a condition that the Recipient shall have the right to suspend or terminate the right of any of the Project Implementing Entities to the use of the proceeds of the Grant made available to it upon failure by the Project Implementing Entity to perform its obligations under this Agreement and the Project Agreement; and in the event that any portion of the proceeds of the Grant provided to the Project Implementing Entity is not used for Eligible Expenditures or is otherwise used in breach of this Agreement and the Project Agreement, the Project Implementing Entity shall, upon notice from the Recipient or from the World Bank, refund the notified amount to the account provided in such notice.

##### **Institutional Arrangements**

2. For purposes of carrying out the Project, the Recipient shall maintain throughout the period of implementation of the Project the Central Project Coordination Office (CPCO) with powers, functions, composition, staff and resources, satisfactory to the World Bank for, inter alia, overseeing the implementation of the Project, coordinating among the project implementing agencies at the local levels for the efficient and timely implementation of the Project, and carrying out Part D.3 of the Project.

##### **Implementation Arrangements**

3. In carrying out Part D.3 of the Project, the Recipient shall, through the CPCO:
  - (a) not later than three (3) months from the Effective Date or such later date as the Bank may agree, furnish to the Bank for its approval revision of the SLMA Manual to cover a description of the implementation steps for village assessments, pilot designs and implementation, and monitoring and evaluation requirements; and
  - (b) apply or cause the Project Implementing Entities to apply, the Financial Management Manual and the SLMA Manual as amended above; and shall not amend, abrogate, suspend, or waive any part of said Manuals, without the prior approval of the World Bank.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports; Recipient's Completion Report**

1. The Recipient shall, through the CPCO, monitor and evaluate the progress of the Project and cause the Project Implementing Entities to prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth in Annex 1 of the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar year, and shall be furnished to the World Bank not later than three (3) months after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Recipient's Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

**B. Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim un-audited financial reports for the Project are prepared and furnished to the World Bank not later than ninety (90) days after the end of each calendar semester, covering the calendar semester, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each 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.

**Section III. Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. 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 shall specify by notice to the Recipient (the Disbursement Letter), including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. (a) The following 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:

<b>Category</b>	<b>Amount Of the Grant Allocated (expressed in Dollars)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
<b>(1) CPCO</b> Consulting services, non-consultant services, training, workshops, and Incremental Operating Costs	265,000	100%
<b>(2) Chongqing</b> Civil works, goods, consulting services, non-consultant services, training, workshops, and Incremental Operating Costs	960,000	100%
<b>(3) Henan</b> Civil works, goods, consulting services, non-consultant services, training, workshops, and Incremental Operating Costs	1,440,000	100%
<b>(4) Shaanxi</b> Civil works, goods, consulting services, non-consultant services, training, workshops, and Incremental Operating Costs	1,600,000	100%
<b>TOTAL AMOUNT</b>	<b>4,265,000</b>	

(b) For purposes of this Schedule, the term “Incremental Operating Costs” means the reasonable costs incurred by the Recipient’s implementing agencies at the provincial, county and village levels, on account of Project management, monitoring and evaluation, which expenditures would not have been incurred absent the Project, including costs incurred for office supplies and consumables, repairs of equipment and vehicles, transportation costs and per diem for staff travel, rental of office space, fuel costs, communication costs, and bank charges, but excluding the salaries and salary supplements of the Recipient’s civil servants.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2015.

## APPENDIX

### Definitions

- (a) “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
- (b) “Loan Agreement” means the Loan Agreement entered into between People’s Republic of China and the World Bank for financing the Project dated the same date as this Agreement.
- (c) “Procurement Plan” means the procurement plan dated April 16, 2010 the Recipient prepared for the Project, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
- (d) “Project Agreement” means the agreement between the World Bank and the Project Implementing Entities of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
- (e) “SLMA Manual” means the manual furnished to the Bank on November 3, 2009 and referred to in paragraph 3, Section I of Schedule 2 to this Agreement.