

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF056519-CHA

Global Environment Facility Trust Fund Grant Agreement

(Livestock Waste Management in East Asia 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 July 17, 2006

GEF TRUST FUND GRANT NUMBER TF056519-CHA

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 17, 2006, 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 continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank, which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding its Respective Parts of the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) the Recipient's Respective Parts of the Project will be carried out by Guangdong Province with the Recipient's assistance, in conjunction with the carrying out by the Kingdom of Thailand, the Socialist Republic of Vietnam and the Food and Agriculture Organization of the United Nations, each of their Respective Parts of the Project under a separate GEF grant agreement with the Bank (the Thailand GEF Trust Fund Grant Agreement, the Vietnam GEF Trust Fund Grant Agreement, and the Food and Agriculture Organization GEF Grant Letter Agreement, respectively), of even date herewith;

(E) as part of the Recipient's assistance to Guangdong Province for the carrying out of the Project, the Recipient will make the proceeds of the GEF Trust Fund Grant available to Guangdong Province, as provided in this Agreement;

(F) by an agreement of even date herewith between the Recipient and the Bank, as administrator of grant funds provided by Japan under the Japan Policy and

Human Resources Development Fund (PHRD), the Recipient will receive a grant in an amount not exceeding two hundred fifty thousand United States dollars (US\$250,000) (the PHRD Grant) to assist in financing, under the Livestock Waste Management Initiative, activities complementary to this Project; 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 May 1, 2004), 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 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.06;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 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) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) 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;
 - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and
 - (vi) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

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) “Boluo County” means the county of Boluo, in Guangdong, People’s Republic of China.

(b) “Chinese National Steering Committee” and the acronym “CNSC” mean the national steering committee for the Livestock Waste Management Project in East Asia, established pursuant to MOF’s Decision 31, dated February 16, 2004, and paragraph 1(a) of Schedule 3 to this Agreement, responsible for overseeing the Recipient’s implementation of the Recipient’s Respective Parts of the Project.

(c) “County PLG” means any of the county project leading groups to be established pursuant to paragraph 2(a) of Schedule 2 to the Project Agreement, responsible for assisting Guangdong PLG in the overall coordination, at county level, of the implementation of the Recipient’s Respective Parts of the Project.

(d) “Department of Agriculture” and the acronym “DOA” mean the Department of Agriculture of Guangdong and any successor thereto.

(e) “Department of Finance” and the acronym “DOF” mean the Department of Finance of Guangdong and any successor thereto.

(f) “Department of Public Health” and the acronym “DOPH” mean the Department of Public Health of Guangdong and any successor thereto.

(g) “Displaced Persons” means persons who, on account of the execution of the Recipient’s Respective Parts of the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and “Displaced Person” means any of such Displaced Persons.

(h) “Environmental Impact Assessment” means the environmental impact assessment to be prepared in respect of any Sub-project in accordance with the Law of Environmental Protection, dated December 26, 1989, the Law of Environmental Impact Assessment, dated October 28, 2002, and the provisions of paragraph 6(a) of Schedule 2 to the Project Agreement, for the purposes of reviewing the Sub-project’s likely positive and negative environmental impact on the Selected Project Areas.

(i) “Environmental Management Plan” means the environmental management plan to be prepared in respect of any selected Sub-project as may be required following the respective Environmental Impact Assessment, in accordance with the provisions of paragraph 6(a) of Schedule 2 to the Project Agreement; said Plan setting forth the measures designed to mitigate of the environmental impact of such Sub-project, including, without limitation, impacts on cultural heritage sites, as well as administrative and monitoring arrangements to ensure the implementation of said Plan, as said Plan may be amended from time to time with the prior concurrence of the Bank.

(j) “Environmental Protection Bureau” and the acronym “EPB” mean the Environmental Protection Bureau of Guangdong and any successor thereto.

(k) “Food and Agriculture Organization” and the acronym “FAO” mean the Food and Agriculture Organization of the United Nations and any successor thereto.

(l) “Guangdong” means the Province of Guangdong of the People’s Republic of China and any successor thereto.

(m) “Guangdong PLG” means the project leading group established pursuant to Guangdong Provincial Office for the World Bank Projects’ Letter No. 50, dated November 18, 2003, and in accordance with paragraph 1(a) of Schedule 2 to the Project Agreement, responsible for providing guidance to Guangdong PMO in the implementation of the Recipient’s Respective Parts of the Project.

(n) “Guangdong PMO” means the project management office, established pursuant to Guangdong Provincial Office for the World Bank Projects’ Letter No. 50, dated November 18, 2003, and referred to in paragraph 1(b) of Schedule 2 to the Project Agreement, responsible for coordinating the day-to-day implementation of the Recipient’s Respective Parts of the Project.

(o) “Guangdong Provincial Office for the World Bank Projects” means the Provincial Office for the World Bank Projects established by DOF.

(p) “Master Capacity-Building Development Plan” means Guangdong’s capacity-building plan, included in the Project Implementation Plan in accordance with paragraph 3(a)(iii) of Schedule 2 to the Project Agreement, as said plan may be amended from time to time with the prior concurrence of the Bank.

(q) “Ministry of Agriculture” and the acronym “MOA” mean the Recipient’s Ministry of Agriculture and any successor thereto.

(r) “Ministry of Finance” and the acronym “MOF” mean the Recipient’s Ministry of Finance and any successor thereto.

(s) “Minority Nationalities Development Strategy” means the strategy dated August 31, 2004, adopted by Guangdong in respect of Sub-projects, which sets out the principles and procedures for: (i) the informed involvement of the national minorities, through a process of informed consultation, in the design and implementation of Sub-projects in locations in which such people reside or which they use for their livelihood; and (ii) the design, preparation and implementation of the Minority Nationalities Development Plans, as said strategy may be amended from time to time with the prior concurrence of the Bank.

(t) “Minority Nationalities Development Plan” means the plan to be adopted by Guangdong in respect of a selected Sub-project in accordance with the Minority Nationalities Development Strategy and the provisions of paragraph 6(c) of Schedule 2 to the Project Agreement, providing for the special planning measures or actions to be undertaken by Guangdong, aimed at: (i) ensuring that the national minorities residing in the Selected Project Areas receive the benefits from the Project in a culturally and socially compatible manner; and (ii) reducing, mitigating and offsetting any adverse impacts due to the implementation of such Sub-project, as said plan may be amended from time to time with the prior concurrence of the Bank.

(u) “Monitoring and Evaluation Plan” means the Guangdong’s monitoring and evaluation plan included in the Project Implementation Plan in accordance with paragraph 3(a)(v) of Schedule 2 to the Project Agreement, as said plan may be amended from time to time with the prior concurrence of the Bank.

(v) “National Experts Group” means the national experts group to be established pursuant to paragraph 1(c) of Schedule 2 to the Project Agreement, responsible for providing technical assistance to Guangdong PMO.

(w) “Participating Countries” means, collectively, the Recipient, the Kingdom of Thailand and the Socialist Republic of Vietnam; and a “Participating Country” means any of the Participating Countries.

(x) “Procurement Plan” means Guangdong’s procurement plan, dated September 7, 2005, covering the initial eighteen month period (or longer) of implementation of the Recipient’s Respective Parts of the Project, as the same shall be updated from time to time in accordance with the provisions of Section 2.02(b) to the Project Agreement, to cover succeeding eighteen month periods (or longer) of Project implementation.

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

(z) “Project Implementation Plan” means the plan dated September 30, 2005, adopted by the Guangdong Province for the implementation of its Respective Parts of the Project pursuant to paragraph 3 of Schedule 2 to the Project Agreement; as such plan may be amended from time to time with the prior concurrence of the Bank.

(aa) “Regional Coordination Group” means the group to be assisted and coordinated by FAO pursuant to paragraph 2.2(a) of the Annex to the FAO GEF Grant Letter Agreement, comprising representatives of the Participating Countries and FAO, for the purposes of coordinating, integrating and implementing Project activities at a regional level.

(bb) “Resettlement Plan” means the resettlement plan to be prepared in respect of a selected Sub-project in accordance with the Resettlement Policy Framework and the provisions of paragraph 6(b) of Schedule 2 to the Project Agreement, which sets out the principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plan, as the same may be amended from time to time with the prior concurrence of the Bank.

(cc) “Resettlement Policy Framework” means the resettlement policy framework dated August 30, 2004, prepared and adopted by Guangdong through the DOA, on September 6, 2005, in respect of Sub-projects, which sets forth the policies and procedures for acquisition, compensation and rehabilitation of Displaced Persons, and guidelines for the preparation of each Resettlement Plan, as said policy framework may be amended from time to time with the prior concurrence of the Bank.

(dd) “Respective Parts of the Project” means, in respect of:

- (i) the Recipient, Parts A.1(a) and B.1(a) of the Project, and the respective activities under Parts A.2, B.2, and C of the Project;
- (ii) the Kingdom of Thailand, Parts A.1(b) and B.1(b) of the Project, and the respective activities under Parts A.2, B.2, and C of the Project;
- (iii) the Socialist Republic of Vietnam, Parts A.1(c) and B.1(c) of the Project, and the respective activities under Parts A.2, B.2, and C of the Project; and
- (iv) FAO, Part D of the Project.

(ee) “Selected Beneficiary” means any farmer, group of farmers or farm producers that own or exploit a pig farm in the Recipient’s Selected Project Areas, selected pursuant to the procedures and criteria set forth in the Project Implementation Plan, and to whom a Sub-grant is made for the purposes of carrying out a Sub-project; and “Selected Beneficiaries” means more than one Selected Beneficiary.

(ff) “Selected Project Areas” means in respect of:

- (i) the Recipient, Boluo County in Guangdong, and any other counties in Guangdong selected from time to time by Guangdong with the prior concurrence of the Bank;
- (ii) the Kingdom of Thailand, Ratchaburi and Chonburi Provinces and any other provinces selected from time to time by the Kingdom of Thailand with the prior concurrence of the Bank; and
- (iii) the Socialist Republic of Vietnam, Ha Tay and Dong Nai Provinces, and any other provinces selected from time to time by the Socialist Republic of Vietnam, with the prior concurrence of the Bank.

(gg) “SEPA” means the Recipient’s State Environmental Protection Administration and any successor thereto.

(hh) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

(ii) “Stakeholders Participation Plan” means the Guangdong’s consultation arrangements included in the Project Implementation Plan in accordance with paragraph

3(a)(vi) of Schedule 2 to the Project Agreement, as said arrangements may be amended from time to time with the prior concurrence of the Bank.

(jj) “Standard Farm Regulations” means the farm standards approved by the Department of Livestock Development of the Ministry of Agriculture and Cooperatives (MOAC) of the Kingdom of Thailand, through MOAC’s Resolution P-PIG-INS-001, dated November 3, 1999 and effective since April 1, 2003, applicable to pig, poultry and cattle farms.

(kk) “Sub-grant” means a grant made, or proposed to be made, by any Participating Country, out of the proceeds of its respective GEF Trust Fund Grant Agreement, to a Selected Beneficiary, for the co-financing of a Sub-project under Parts A.1(a), A.1(b), or A.1(c) of the Project, as the case may be in accordance with its Respective Parts of the Project; and “Sub-grants” means more than one Sub-grant.

(ll) “Sub-project” means a specific investment project on livestock waste management technology, selected by any Participating Country in accordance with its respective Project Implementation Plan for financing through a Sub-grant under Parts A.1(a), A.1(b), or A.1(c) of the Projects, as the case may be in accordance with its Respective Parts of the Project; and “Sub-projects” means more than one Sub-project.

(mm) “Township Executive Committee” means the any of the township committees to be established pursuant to paragraph 2(b) of Schedule 2 to the Project Agreement, responsible for assisting Guangdong PMO with the day-to-day implementation of Project activities at township level.

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 equal to two million United States Dollars (US\$2,000,000).

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: (i) 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 Part B.1(a) and the respective activities under Parts A.2, B.2, and C of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made for Sub-grants under Part A.1(a) of the Project to meet the reasonable cost of goods and services required for the Sub-projects in respect of which withdrawals from the GEF Trust Fund Grant are requested.

(b) The Recipient may, for the purposes of Parts A.1(a) and B.1(a) and the respective activities under Parts A.2, B.2, and C of the Project, open and maintain in United States Dollars a special deposit account in a commercial 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 December 31, 2010, 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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Guangdong to perform in accordance with the provisions of the Project Agreement all the obligations of Guangdong therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Guangdong to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For purposes of carrying out its Respective Parts of the Project, the Recipient shall make the proceeds of the GEF Trust Fund Grant available to Guangdong, on a grant basis, without deduction for any charges, commissions or fees of any kind, and in accordance with arrangements satisfactory to the Bank.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Recipient's Respective Parts 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall cause Guangdong to update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. The Bank and the Recipient 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) shall be carried out by Guangdong pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall cause Guangdong to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to its Respective Parts of the Project.

(b) The Recipient shall cause Guangdong to:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may 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 cause Guangdong to:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made;
- (ii) enable the Bank's representatives to examine such records; and

- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

ARTICLE V

Remedies of the Bank

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

- (a) the Recipient or Guangdong shall have taken any action to impair or suspend the operation of the Regional Coordination Group, or otherwise affect its ability to perform any of its obligations under the Project, or to achieve the objectives of the Project;

- (b) Guangdong shall have failed to perform any of its obligations under the Project Agreement; and

- (c) 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 Guangdong will be able to perform its obligations under the Project Agreement.

ARTICLE VI

Effectiveness; Termination

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

- (a) the Guangdong PMO has been staffed pursuant to paragraph 1(b) of Schedule 2 of the Project Agreement, and its Project Director and other key operational staff, all of them with relevant experience and sufficient qualifications, have been appointed with terms of reference satisfactory to the Bank;

- (b) the Township Executive Committee in Yuan Zhou has been established and staffed pursuant to paragraph 2(b) of Schedule 2 of the Project Agreement; and

- (c) the Recipient's and Guangdong Province's nominees for the Regional Coordination Group have been appointed pursuant to paragraph 1(b) of Schedule 3 to this Agreement and paragraph 1(d) of Schedule 2 to the Project Agreement, respectively.

Section 6.02. The date ninety 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 100820
People's Republic of China

Facsimile:

(86-10) 68551125

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)

(1-202) 477-6391

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/ Ju Kuilin

Authorized Representative

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

By /s/ David Dollar

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:

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Allocated (in United States Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-grants under Part A.1.(a) of the Project	935,700	100% of Sub-grant amount disbursed
(2) Goods for the Recipient's Respective Parts of the Project (except Part A.1(a))	277,100	100%
(3) Consultants' services for the Recipient's Respective Parts of the Project	537,100	100%
(4) Training and Workshops for the Recipient's Respective Parts of the Project	150,100	100%
(5) Incremental Operating Costs	100,000	100%
TOTAL	<u>2,000,000</u> =====	

2. For the purposes of this Schedule the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Province of Guangdong in the implementation of the Recipient's Respective Parts of the Project, which expenditures would not have been incurred absent the Project, including staff per diem field allowances, travel expenses, costs for vehicle operation and maintenance, office consumables (except office equipment), communication expenses, and printing expenses, but excluding salaries and salary supplements of civil servants.

3. Notwithstanding the provisions of: paragraph 1 above, no withdrawals shall be made in respect of: payments made for expenditures prior to the date of this 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 under contracts for: (a) goods costing less than US\$100,000 equivalent per contract; (b) services of individual consultants costing less than US\$50,000 equivalent per contract; (c) services of consulting firms costing less than US\$100,000 equivalent per contract; (d) goods and works under Sub-grants and costing less than US\$100,000 equivalent per contract, (e) training and workshops; and (f) Incremental Operating Costs; 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 amount of the GEF Trust Fund Grant was used in a manner inconsistent 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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Participating Countries and the Food and Agriculture Organization, in coordination with one another, to reduce: (i) the negative environmental and health impacts of livestock-induced pollution on water bodies; and (ii) the environmental degradation of the South China Sea.

The Project consists of the following parts, subject to such modifications thereof as the Participating Countries, FAO and the Bank may agree upon from time to time to achieve such objectives.

Part A. Livestock Waste Management Technology Demonstration

1. Developing country-specific livestock waste management strategies in the Selected Project Areas in each Participating Country, for the construction of cost-effective and replicable manure management facilities and the implementation of manure management systems, consisting of:

(a) *In the People's Republic of China*

The provision of Sub-grants to Selected Beneficiaries for: (i) the construction or rehabilitation of manure treatment systems (including lagoons, composting facilities and biogas digesters); and (ii) the recycling of treated manure.

(b) *In the Kingdom of Thailand*

The provision of Sub-grants to Selected Beneficiaries for: (i) the construction or rehabilitation of manure treatment systems (including lagoons, composting facilities and biogas digesters); and (ii) the recycling of treated manure.

(c) *In the Socialist Republic of Vietnam*

The provision of Sub-grants to Selected Beneficiaries for: (i) the construction or rehabilitation of manure treatment systems (including lagoons, sedimentation tanks, fish ponds, composting facilities and biogas digesters); and (ii) the recycling of treated manure (to crops, for markets or local discharge).

2. Providing training, including study tours, and technical support to farmers, farmers' associations, animal husbandry extension agents, and government officials, for the improvement of on-farm manure management practices and the strengthening of their capacities, in accordance with the respective Master Capacity-Building Development Plan.

Part B. Policy and Replication Strategy Development

1. Developing and implementing country-specific policies and regulatory frameworks for livestock waste management practices in each Participating Country, consisting of:

(a) *In the People's Republic of China*

- (i) The development and implementation of a Project replication strategy;
- (ii) The review and revision of existing livestock related environmental regulations and the drafting and testing of a new policy framework, farm licensing procedures, and codes of practices;
- (iii) The adoption of global information system techniques for data collection, processing and analysis, and the preparation of zoning maps for livestock production; and
- (iv) The strengthening of policies promoting manure commercialization.

(b) *In the Kingdom of Thailand*

- (i) The development and implementation of a Project replication strategy;
- (ii) The revision and implementation of the Standard-Farm Regulations;
- (iii) The development and implementation of livestock waste management and related environmental policy frameworks, farm licensing procedures, and codes of practices;
- (iv) The adoption of global information system techniques for data collection, processing and analysis, and the preparation of zoning maps for livestock production; and
- (v) The strengthening of policies promoting manure commercialization.

(c) *In the Socialist Republic of Vietnam*

- (i) The development and implementation of a Project replication strategy;
- (ii) The development and implementation of livestock waste management and related environmental policy frameworks (including livestock waste discharge and recycling standards), and codes of practices;
- (iii) The adoption of global information system techniques for data collection, processing and analysis, and the preparation of zoning maps for livestock production; and
- (iv) The development of policies promoting the production of organic fertilizers.

2. (a) Carrying out of a public awareness campaign on the environmental impact of livestock waste management, including the development and publication of environmental regulations and promotional materials, and the coordination of a network of agricultural research and educational institutions; and

(b) Providing training to government officials of each Participating Country in spatial analysis, environmental impact assessment, monitoring techniques, manure and nutrient management, and the use of decision making tools.

Part C. Project Management and Monitoring

1. Strengthening the institutional capacity of the Participating Countries' PMOs and implementing agencies at local levels, for the management and implementation of the Respective Parts of the Project.

2. Strengthening the monitoring and evaluation skills of the Participating Countries' PMOs and implementing agencies at local levels, to enable them to carry out their respective Monitoring and Evaluation Plan to, *inter alia*: (i) supervise and assess the capacity of local laboratories to conduct, soil, water and public health monitoring sample analysis; (ii) carry out baseline surveys and inventories to determine the environmental and social conditions in Selected Project Areas; (iii) develop timelines and site-specific technical, environmental and social indicators for Project activities, and determine any changes in their qualitative or quantitative values; (iv) carry out extensive water quality testing; and (v) develop and organize training programs for Project related agencies.

Part D. Regional Support Services

1. Providing regional support for: (i) the development and implementation of decision-making tools in each Participating Country; (ii) the coordination of a regional group of experts to carry out field-based monitoring activities in the Selected Project Areas; and (iii) the development of regional training modules and packages for trainers, farmers, government officials and Project implementing agencies in each Participating Country.

2. Facilitating cross-country dissemination and sharing of Project's outcomes, *inter alia*: (i) the development and implementation of annual work programs; (ii) the organization of the annual meetings of the Regional Coordination Group; (iii) the coordination and cooperation with related projects and programs already existing or under way in the East Asia region; and (iv) the coordination of study tours and workshops for government officials, experts, policy-makers and other key stakeholders of the South China Sea riparian countries; and (v) the development of a Project-related Internet portal and publications.

* * *

The Project is expected to be completed by June 30, 2010.

SCHEDULE 3

Implementation Program

Project Management

1. The Recipient shall:

(a) maintain, throughout the period of implementation of the Project, the Chinese National Steering Committee, chaired by the Recipient's GEF focal point Director of the Ministry of Finance, and with representation from, *inter alia*, the MOF, the MOA, the SEPA and Guangdong, as well as the Project Director of the Guangdong PMO; which committee shall be assigned with such functions and responsibilities, satisfactory to the Bank, as shall be required for the overall coordination and oversight of the Recipient's implementation of its Respective Parts of the Project, including: (i) providing political and financial support to the activities to be carried out by the Guangdong PLG and Guangdong PMO; (ii) integrating the Recipient's activities to the regional efforts under the project; and (iii) approving the Guangdong PMO's annual work programs; and

(b) appoint a delegate, to be selected by and from the members of the CNSC, to participate and represent the Recipient in the Regional Coordination Group, for the purposes of: (i) ensuring the continuing exchange of information among Participating Countries on livestock waste management; (ii) promoting regional synergies by coordinating Project activities among Participating Countries; (iii) promoting the inclusion of livestock waste management issues in policy and budget formulation in the Participating Countries; (iv) promoting the adoption of common environmental policies and practices; and (v) reviewing FAO's annual work program.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Recipient’s Respective Parts 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 the amount of US\$200,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.

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, 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.