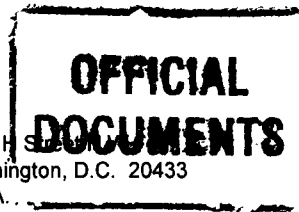


The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.



TF012035
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

August 9, 2012

Mr. Chen Shixin
Deputy Director General
International Department
Ministry of Finance
Sanlihe, Beijing, 100820
People's Republic of China

**Re: People's Republic of China: Grant for Preparation of Municipal Solid Waste
Management Project
GEF PPG Grant No. TF012035**

Dear Mr. Chen:

In response to the request for financial assistance made on behalf of the People's Republic of China ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Implementing Agency of the Global Environment Facility ("GEF"), proposes to extend to the Recipient, a grant in an amount not to exceed two hundred twenty five thousand United States Dollars (U.S.\$225,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Activities").

This Grant is funded out of the GEF trust fund for which the World Bank receives periodic contributions from donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement. The award of the Grant does not constitute or imply any commitment on the part of the World Bank, either as Implementing Agency of the GEF or in its own capacity, to assist in the financing of any project which may result from the Activities financed by the Grant.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this

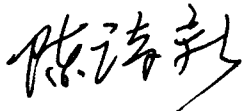
Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as Implementing Agency of the Global Environment Facility



Klaus Rohland
Country Director, China
East Asia and Pacific Region

AGREED:
PEOPLE'S REPUBLIC OF CHINA



By _____

Authorized Representative

Name Chen Shixin

Title Deputy Director General

Date: Aug. 22, 2012

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement; provided that for the purposes of this Agreement the term “Project”, whenever used in the Standard Conditions, shall mean the Activities referred to in Section 2.01 of this Annex.

Article II
Execution of the Activities

2.01. **Grant Objectives and Description.** The objective of the Grant is to prepare the Municipal Solid Waste Management Project which has as its main objective to: enhance the regulatory framework for compliance with new dioxin emissions standards for incineration facilities, demonstrate best available techniques (BAT) and best environmental practices (BEP) in municipal solid waste (MSW) management to lower dioxins and furans emissions from such facilities, and establish favorable conditions for replicating project results more widely across China.

The activities (the “Activities”) for which the Grant is given consist of the following parts:

Part 1: Preparation of demonstration investments in BAT/BEP defined in the Stockholm Convention on Persistent Organic Pollutants for municipal solid waste management to reduce the generation and release of polychlorinated dibenzo-p-dioxins/polychlorinated dibenzofurans (PCDDs/Fs). The activities under this component include:

- 1.1 holding a cross-ministerial coordination meeting participated by all stakeholders;
- 1.2 holding information and training sessions for selected pilot city governments and facility owners to deliver requirements and instructions on request for proposals, feasibility studies and environmental impact assessments (EIAs) for organizing and implementing the BAT/BEP demonstration projects, including: (a) provision of consulting services for MSW reduction, reuse and recycling, MSW treatment and disposal technologies, EIAs and EMPs, social impact assessments, environmental monitoring, and environmental awareness and education activities; and (b) provision of consulting services for environmentally friendly and cost-effective fly ash disposal, environmental regulation and environmental and industrial policy, and carrying out of said information and training sessions.
- 1.3 working with pilot city governments and facility owners to develop proposals, feasibility studies, EIAs, environmental management plans (EMPs), and social impact assessments for BAT/BEP demonstrations by providing consultants’ services for: (a) MSW reduction, reuse and recycling, MSW treatment and disposal technologies, EIAs and EMPs, social impact assessments, environmental monitoring, and environmental awareness and education activities; and (b) environmentally friendly and cost-effective fly ash disposal, review of international and local environmental regulations regarding dioxin emission limits, monitoring protocols and engineering codes for incineration facilities, review of relevant local and international industrial policies

including, among others, tender policy, polluter-pays principle, fee collection model, incentives, and producer responsibility extension;

1.4 developing a procurement plan for the procurement of goods, works and services for the BAT/BEP demonstrations; and

1.5 holding a workshop with relevant stakeholders on BAT/BEP, including: (a) preparation and carrying out of said workshop, and provision of consultants' services of three national consultants to provide expertise on environmentally friendly and cost-effective fly ash disposal, environmental regulation and environmental and industrial policy, respectively; and (b) provision of consultants' services of an international consultant and all the other national consultants for the purpose of said workshop.

Part 2: Design of a favorable environment to promote successful experience from the BAT/BEP demonstrations, including developing terms of references (TORs) for the design and implementation of technical guidelines and economic instruments for the purpose.

Part 3: Establishment and operation of project preparation mechanisms. The activities under this component include:

3.1 establishing a Project management team within the Foreign Economic Cooperation Office (FECO), Ministry of Environmental Protection (MEP);

3.2 hiring a multi-disciplinary team of international and national consultants for the Project; and

3.3 assisting the pilot cities to establish and operate Project coordination mechanisms.

2.02. **Grant Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Activities through the FECO, MEP in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** In carrying out the Activities described in Section 2.01 above, the Recipient shall take measures through the FECO, MEP to establish and maintain adequate staff for the implementation and management of the Project and develop appropriate safeguards to mitigate any adverse environmental and/or social impacts.

2.04. **Completion Report.** The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than sixty (60) days after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The

audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. *Procurement*

(a) General. All services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”), in the case of consultants’ services; and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants’ Qualifications; (C) Selection of Individual Consultants; and (D) Single Source Selection.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. *Eligible Expenditures*. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' Services under Parts 1.2(a), 1.3(a), 1.5(b), 2.1 and 3.1 of the Project, and Incremental Operating Costs under Part 3.1 of the Project	225,000	100%
TOTAL AMOUNT	225,000	

For the purpose of this paragraph, the term "Incremental Operating Costs" means reasonable expenditures directly related to the Project (which expenditures would not have been incurred absent of the Project) in respect of office supplies, translation, interpretation, printing and binding costs, travel and accommodation, and staff salaries, but excluding salaries of officials of the Recipient's civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is February 15, 2014.

Article IV Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Facsimile: (86-10) 6855-1125

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

United States of America

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391