Global Environment Facility
Grant Agreement

(Climate Smart Management of Grassland Ecosystems Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility
GEF GRANT NUMBER TF0B1658

GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT

AGREEMENT dated as of the Signature Date between PEOPLE'S REPUBLIC OF CHINA ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), acting as an implementing agency of the Global Environment Facility ("GEF"). The Recipient and the Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form 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 or in the Appendix to this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project, through its Ministry of Agriculture and Rural Affairs ("MARA") in accordance with the provisions of Article II of the Standard Conditions and Schedule 2 to this Agreement.

Article III
The Grant

3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed three million seven hundred sixty-nine thousand eighty-three United States Dollars ($3,769,083) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the 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.

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) the Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by any of the Project Participants of their respective obligations under the Implementation Agreements;

(b) any of the Project Participants has failed to perform any obligation under the Implementation Agreements;

(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 Participants will be able to perform any of its obligations under the Implementation Agreements; and

(d) that the Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the 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 acceptable to the Bank has been furnished to the Bank that the execution and delivery of this Agreement on behalf of the Recipient.

5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the Bank an opinion or opinions acceptable to the Bank of counsel acceptable to the Bank or, if the Bank so requests, a certificate acceptable to the Bank of a competent official of the Member Country, showing 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 Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the 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 Signature Date, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The 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 its Minister, or a Vice Minister, of Finance.

6.02. For purposes of Section 7.01 of the Standard Conditions:

(a) the Recipient’s address is:

Ministry of Finance
Sanlihe
Xicheng District
Beijing 100820
People’s Republic of China; and

(b) the Recipient’s Electronic Address is:

Facsimile:

(86-10) 6855-2077

6.03. For purposes of Section 7.01 of the Standard Conditions:

(a) the Bank’s address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank’s Electronic Address is:

Facsimile:

1-202-477-6391
AGREED as of the Signature Date.

PEOPLE’S REPUBLIC OF CHINA

By

Authorized Representative

Name: Han Bin
Title: Deputy Director-General

Department of International Economic and Financial Cooperation
Ministry of Finance

Date: January 22, 2020

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

By

Authorized Representative

Name: Martin Raiser
Title: Country Director, China

Date: January 22, 2020
SCHEDULE 1

Project Description

The objective of the Project is to pilot climate smart grassland management practices in Qilian County of Qinghai Province.

The Project consists of the following parts:

**Part 1:** **Grassland Management Pilots**

Supporting the adoption of a suite of climate smart grassland practices by providing Sub-grants to Eligible Beneficiaries.

**Part 2:** **Policy and Strategy Development**

Providing technical and analytical support for: (a) developing policy recommendations and technical guidelines on climate smart grassland management and herding practices, and on the design and implementation of evidence-based PES schemes; (b) carrying out a study on the valuation of ecosystem services provided by grasslands; and (c) developing an action plan for the inclusion of carbon credits generated from improved grassland management practices into the Recipient’s national carbon trading system.

**Part 3:** **Knowledge Management**

Supporting the development of a Project website and a knowledge management and capacity building strategy, and the carrying out of knowledge dissemination and monitoring and evaluation activities.

**Part 4:** **Project Management**

Supporting Project management at the central, provincial, county and town level.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. For the purpose of carrying out the Project, the Recipient, through MARA, shall:

(a) establish no later than three (3) months after the Effective Date, and thereafter maintain the National Project Steering Committee with composition, powers, functions, staffing, facilities and other resources acceptable to the Bank, responsible for providing overall policy, financial, and institutional guidance on Project implementation and facilitating coordination among different implementing entities;

(b) (i) maintain the National Project Management Office with composition, powers, functions, staffing, facilities and other resources acceptable to the Bank, responsible for overall implementation, coordination, reporting, management, and monitoring and evaluation of the Project; and (ii) cause the Rural Energy and Environment Agency to support the NPMO in the financial management and disbursement of the Grant; and

(c) cause Qinghai to:

(i) maintain, and cause to be maintained, the following entities with composition, powers, functions, staffing, facilities and other resources acceptable to the Bank: (A) a provincial Project steering committee, responsible for providing overall policy, financial, and institutional guidance on Project implementation and facilitating coordination among different implementing entities within its jurisdiction; and (B) a provincial Project management office within the Department of Agriculture and Rural Affairs, responsible for implementation, coordination, reporting, management, and monitoring and evaluation of the Project within its jurisdiction; and

(ii) cause Qilian to maintain, and cause to be maintained, the following entities with composition, powers, functions, staffing, facilities and other resources acceptable to the Bank: (A) a county leading group, responsible for providing overall policy, financial, and institutional guidance on
Project implementation and facilitating coordination among different implementing entities within its jurisdiction; and (B) a county Project management office within the Agriculture, Water Resources, Science and Technology Bureau, responsible for implementation, coordination, reporting, management, and monitoring and evaluation of the Project within its jurisdiction.

B. Implementation Agreements

1. For the purpose of carrying out the Project, the Recipient, through MARA, shall, no later than three (3) months after the Effective Date: (a) enter into an implementation agreement with Qinghai; and (b) cause Qinghai to enter into an implementation agreement with Qilian; both on terms and conditions acceptable to the Bank (collectively, the “Implementation Agreements”).

2. The Recipient, through MARA, shall, and shall cause Qinghai to, exercise its rights under each of the Implementation Agreements in such manner as to protect the interests of the Recipient and the interests of the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Recipient, through MOR, shall, and shall cause Qinghai to, not assign, amend, abrogate or waive any of the Implementation Agreements or any of its provisions.

C. Annual Work Plans and Project Implementation Manual

1. The Recipient, through MARA, shall, and shall cause the Project Participants to: (a) carry out activities under the Project during each fiscal year in accordance with Annual Work Plans agreed with the Bank; (b) prepare and furnish to the Bank by October 30 in each year, beginning in 2020, a draft Annual Work Plan for review and comment, summarizing the implementation progress the Project for the said year and the Project activities to be undertaken for the following calendar year, including the proposed annual budget for the Project; (c) taking into account the Bank’s comments, finalize and furnish to the Bank no later than December 31 in each year, beginning in 2020, the Annual Work Plan, acceptable to the Bank; and (d) thereafter, ensure the implementation of the Project during the following calendar year in accordance with the Annual Work Plan, in a manner acceptable to the Bank. The Recipient, through MARA, shall, and shall cause the Project Participants to, not amend, suspend, abrogate, or waive said Annual Work Plans or any provision thereof without the prior approval of the Bank.
2. Throughout the implementation of the Project, the Recipient, through MARA, shall, and shall cause the Project Participants to, carry out the Project in accordance with the arrangements and procedures set out in the Project Implementation Manual in a manner acceptable to the Bank. The Recipient, through MARA, shall, and shall cause the Project Participants to, not amend, suspend, or waive said Project Implementation Manual or any provision or schedule thereof, without the prior written agreement of the Bank. In the event of any inconsistency between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. Safeguards

1. The Recipient, through MARA, shall, and shall cause the Project Participants to, implement the Safeguards Instruments in a manner and substance acceptable to the Bank.

2. The Recipient, through MARA, shall, and shall cause the Project Participants to, ensure that all studies and technical assistance to be supported under the Project are carried out under terms of reference acceptable to the Bank, and that such terms of reference are consistent with, and pay due attention to, the Bank’s Safeguards Policies.

3. The Recipient, through MARA, shall, and shall cause the Project Participants to, not amend, suspend, or waive the Safeguards Instruments, or any provision thereof, without the prior written concurrence of the Bank.

4. The Recipient, through MARA, shall, and shall cause the Project Participants to, maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguards Instruments.

5. Without limitation to the provisions of paragraphs 1 through 4 of this Section I.E, or the provisions of Section II.A below, the Recipient, through MARA, shall, and shall cause the Project Participants to, take all measures necessary on their part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:

(a) measures taken in furtherance thereof;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation thereof; and
(c) remedial measures taken or required to be taken to address such conditions.

6. In the event of any inconsistency between the provisions of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

E. **Sub-grants**

1. For the purposes of carrying out Part 1 of the Project, the Recipient, through MARA, shall cause Qinghai to cause Qilian to provide Sub-grants to Eligible Beneficiaries, in accordance with eligibility criteria and procedures acceptable to the Bank and set out in the Project Implementation Manual.

2. The Recipient, through MARA, shall cause Qinghai to cause Qilian to provide each Sub-grant under a Sub-Grant Agreement with the respective Eligible Beneficiary, on terms and conditions approved by the Bank, which shall include the provisions set forth in the Annex to this Schedule 2, and which shall be set out in the Project Implementation Manual.

3. The Recipient, through MARA, shall cause Qinghai to cause Qilian to: (a) exercise its rights under each Sub-grant Agreement, in such manner as to protect the interests of the Recipient and the Bank, and to accomplish the purposes of the Grant; and (b) maintain, throughout the period of implementation of the Project, a grievance redress mechanism acceptable to the Bank and set out in the Project Implementation Manual, to address any complaints associated with the Sub-grants. Except as the Recipient and the Bank shall otherwise agree, the Recipient, through MARA, shall cause Qinghai to cause Qilian to not assign, amend, abrogate or waive any Sub-grant Agreement, or any of their provisions.

4. In the event of any inconsistency between the provisions of the Sub-grant Agreement and those of this Agreement, the provisions of this Agreement shall prevail.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

The Recipient shall ensure that each Project Report is furnished to the Bank not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

B. **Mid-term Review**

Without limitation to the provisions of Section II.A above, the Recipient, through MARA, shall, and shall cause the Project Participants to, prepare, under terms of reference acceptable to the Bank, and furnish to the Bank no later than July 31, 2022, a mid-term review report for the Project, summarizing the result of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and the achievement of the objectives thereof during the period following such date.

Section III. **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; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants, goods, non-consulting services, consulting services, Training and Workshops, and Incremental Operating Costs under the Project</td>
<td>3,769,083</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>3,769,083</td>
<td></td>
</tr>
</tbody>
</table>
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 Signature Date.

2. The Closing Date is December 31, 2024.

Section IV. Other Undertakings

Without prejudice to the provisions of Section III above, the withdrawal of the Sub-grants under Category (1) shall be made upon the submission of evidence acceptable to the Bank verifying the Outputs; and the amount of each Sub-grant shall be calculated as the product of the Unit Price per the number of Outputs verified by Qilian; all in accordance with the Project Implementation Manual and the Sub-grant Agreement.
ANNEX TO SCHEDULE 2

Principal Terms and Conditions of Sub-Grant Agreements

For purposes of Section I.E.2 of Schedule 2 to this Agreement, the Sub-Grant Agreements to be entered into by Qilian and the respective Eligible Beneficiary shall reflect, inter alia, the following terms and conditions:

1. For the purpose of carrying out Part 1 of the Project, Qilian shall make available to the respective Eligible Beneficiary a Sub-grant, under terms and conditions acceptable to the Bank.

2. Qilian shall have the right to suspend or terminate the right of the respective Eligible Beneficiary to use and/or receive the proceeds of the Sub-grant, upon failure by the Eligible Beneficiary to perform any of its obligations under the Sub-Grant Agreement.

3. Each Eligible Beneficiary shall undertake to:

(i) carry out its supported activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices acceptable to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, the Project Implementation Manual, and the Safeguard Instruments;

(ii) provide, promptly as needed, the resources required for the purpose of carrying out the Sub-project;

(iii) as appropriate, procure or use the goods and services to be financed out of the Sub-grant, in accordance with the provisions of this Agreement and the Project Implementation Manual;

(iv) cooperate in the monitoring and evaluating in accordance with indicators acceptable to the Bank, the progress of the supported activities and the achievement of their objectives;

(v) (A) maintain financial records in accordance with consistently applied accounting standards acceptable to the Bank, in a manner adequate to reflect the operations, resources and expenditures related to the supported activities; and (B) at the Recipient’s or the Bank’s request, have such records audited
by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Recipient or the Bank;

(vi) enable the Recipient or the Bank to inspect the supported activities and any relevant records and documents; and

(vii) prepare and furnish to the Recipient or the Bank all such information as the Recipient or the Bank shall reasonably request relating to the foregoing.
APPENDIX

Definitions

1. “Agriculture, Water Resources, Science and Technology Bureau” means Qilian’s bureau responsible for agriculture, water resources, science and technology, and any successor thereto.

2. “Annual Work Plans” means the work plan of activities, associated resources, procurement packages, and budgetary allocations required for a given fiscal year of the Recipient for Project implementation, to be prepared pursuant to Section I.C.1 of Schedule 2 to this Agreement.


5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. “Department of Agriculture and Rural Affairs” means Qinghai’s department responsible for agriculture and rural affairs, and any successor thereto.

7. “Eligible Beneficiary” means each herder household, or such other entity set forth in the Project Implementation Manual, selected to receive a Sub-grant for carrying out activities under Part 1 of the Project, pursuant to the eligibility criteria set out in the Project Implementation Manual; and the term “Eligible Beneficiaries” means, collectively, all such Eligible Beneficiaries.

8. “Environmental Management Plan” means the Recipient’s plan, acceptable to the Bank, dated June 26, 2019, which sets out the environmental protection measures, including measures for the protection of natural habitats, in respect of the Project, as well as administrative, monitoring, supervision and training arrangements to
ensure the implementation of said plan, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes all schedules and annexes supplemental thereto.

9. "Ethnic Minority Development Plan" means the Recipient’s plan, acceptable to the Bank, dated June 25, 2019, which sets forth measures designed to ensure that ethnic minority communities affected by the Project receive culturally appropriate social and economic benefits, and if any potential adverse effects on such communities are identified, measures to ensure their effects are avoided, minimized, mitigated, or compensated for, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

10. "Implementation Agreements" means, collectively, the agreement to be entered into between MARA and Qinghai, and the agreement to be entered into between Qinghai and Qilian pursuant to Section I.B.1 of Schedule 2 to this Agreement setting forth, inter alia, the roles and responsibilities of each party, the activities to be carried out by each party under the Project and the cost thereof; as the same may be amended from time to time with the prior written concurrence of the Bank, and such term includes all schedules supplemental to said agreements.

11. "Incremental Operating Costs" means the reasonable costs incurred by MARA and the Project Participants, for purposes of Project management and implementation based on the Annual Work Plans approved in advance by the Bank, on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, interpretation and translation services, vehicle rental, operation and maintenance, insurance, building and equipment maintenance, local transportation, domestic and international travel, lodging, and subsistence allowances (including meals), and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s or Project Participants’ civil service.

12. "Ministry of Agriculture and Rural Affairs" or "MARA" means the Recipient’s ministry responsible for agriculture and rural affairs, or any successor thereto.

13. "National Project Management Office" or "NPMO" means the office established by MARA within its Science, Technology and Education Department on August 20, 2018, and to be maintained in accordance with the provisions of sub-paragraph 1(b)(i) of Section I.A of Schedule 2 to this Agreement, and any successors thereto.
14. "National Project Steering Committee" means the group to be established by MARA, and to be maintained in accordance with the provisions of sub-paragraph 1(a) of Section I.A of Schedule 2 to this Agreement and any successors thereto.

15. "Output" means the specific activities under Part 1 of the Project to be carried out by an Eligible Beneficiary, as set forth in the respective Sub-grant Agreement.

16. "PES" means payments for ecosystem services.

17. "Pest Management Plan" means the Recipient’s plan, acceptable to the Bank, dated June 28, 2019, setting out, among other things, the measures to promote and support safe, effective, and environmentally sound pest management under the Project.

18. "Process Framework" means the Recipient’s framework, acceptable to the Bank, dated June 25, 2019, which sets forth: (a) the participatory process to be followed for: (i) specific components of the Project to be prepared and implemented; (ii) the criteria for eligibility of affected persons to be determined; (iii) measures to assist the affected persons in their efforts to improve or restore, in real terms, their livelihoods while maintaining the sustainability of the park or protected area to be identified; (b) grievance/conflict resolution mechanism involving affected persons; (c) a description of the arrangements for implementing and monitoring the process; (d) an estimated budget for the implementation of the Process Framework; and (e) guidelines and procedures for the preparation of any additional plans; as said framework may be revised from time to time with the prior written agreement of the Bank, and such term includes all schedules and annexes supplemental thereto.


20. "Project Implementation Manual" means the Recipient’s manual dated October 28, 2019, describing, among other things: (a) the Project objective, Project activities and arrangements, acceptable to the Bank, flow of funds of the proceeds of the Grant and agreed procedures in, inter alia, procurement, financial management and disbursement; (b) the institutional arrangements for the implementation of the Project, and the roles and responsibilities of the entities involved in Project implementation; (c) arrangements acceptable to the Bank for social and environment safeguards screening and mitigation; (d) steps and procedures for Project implementation; (e) detailed cost of activities under the Project; (f) the eligibility criteria and procedures for selecting Eligible
Beneficiaries and extending Sub-grants, including templates of Sub-grant Agreements, and grievance redress mechanisms and verification arrangements in connection thereof; and (g) monitoring and evaluation, reporting and information disclosure arrangements, and the indicators and targets for purposes of monitoring and evaluation of the progress of the Project; as such manual may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such manual.

21. "Project Participants" means, collectively, Qinghai and Qilian.


23. "Qilian County" or "Qilian" means Qinghai’s county of the same name and any successor thereto.

24. "Qinghai Province" or "Qinghai" means the Recipient’s province of the same name and any successor thereto.


26. "Signature Date" means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to "the date of the Grant Agreement" in the Standard Conditions.


28. "Sub-grant" means each grant to be provided out of the proceeds of the Grant from Qilian to an Eligible Beneficiary, for the purposes of delivering an Output, in accordance with the terms and conditions of a Sub-grant Agreement.

29. "Sub-grant Agreement" means each agreement to be entered into between Qilian and an Eligible Beneficiary providing a Sub-grant, in accordance with procedures and arrangements set out in the Project Implementation Manual.
30. “Training and Workshops” means the cost of training financed under the Project, incurred on the basis of the Annual Work Plans, attributable to seminars, study tours, and workshops, along with the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

31. “Unit Price” means for each Output, the unit price established from time to time by the Bank in consultation with MARA and the Project Participants and set forth in the Project Implementation Manual and each Sub-gran Agreement.