Ms. Zou Jiayi  
Director General  
International Department  
Ministry of Finance  
Sanlihe, Beijing, 100820  
People’s Republic of China

Re: China: IDF Grant for Capacity Building of China Food and Drug Administration Project – IDF Grant No. TF016488

Dear Ms. Zou:

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") proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund ("IDF") an amount not to exceed four hundred seventy-five thousand United States Dollars (U.S.$475,000) ("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 project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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

By
Klaus Rohland  
Country Director, China  
East Asia and Pacific Region
AGREED:

PEOPLE’S REPUBLIC OF CHINA

By [Signature]
Authorized Representative

Name: Yang Yingming
Title: Deputy Director-General
Date: July 29, 2014

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


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.

(a) “Center for Food and Drug International Exchange” or “CFDIE” means the Center for Food and Drug International Exchange established under the CFDA pursuant to the Central Governments’ “Notice on Institutional Staffing Adjustments to CFDA's Affiliated Organizations” dated January 2014.

(b) “China Food and Drug Administration” or “CFDA” means the China Food and Drug Administration, established under the laws of Recipient through the “Plan for the Institutional Restructuring of the State Council and Transformation of Functions Thereof” and the “Notice of the State Council on Organizational Structuring” in March 2013, (No. 24 Decree, 2013 the State Council), responsible for management and implementation of the Project, or any successor thereto.

(c) “Organization for Economic Coordination and Development” or “OECD” means the Organization for Economic Coordination and Development, an international economic organization of 34 countries founded in 1961 to stimulate economic progress and world trade.

(d) “Training” means the costs associated with the training and workshop participation of personnel involved in Project supported activities, including travel and subsistence costs for training participants, translation services associated with training and workshops, rental of training facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshops.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support capacity building and provide technical assistance to CFDA in order to improve national food safety and promote communication and cooperation amongst food regulators. The Project consists of the following parts:
Part 1. Study and Review of Leading Public Food Regulatory System in OECD Countries

Improve the strategic plan for organization development and filling the gap in capacity of delivering food safety services by: (a) conducting a study and review of leading public food safety regulatory agencies in OECD countries; (b) undertaking study tours and review of leading public food safety regulatory agencies in OECD countries, such as United States and Canada, that will allow policy makers in CFDA to better understand the organization structure, missions and deployment of resources on food safety and programs in those OECD countries; and (c) carrying out a workshop to share the results of the study and the study tours.

Part 2. Review of China’s Food Safety Regulatory System

Review of the food safety regulatory system by: (a) conducting an assessment of current capabilities of food safety regulatory system at national and provincial levels; (b) conducting field survey on capacity building needs assessment; and (c) developing a toolkit to improve food safety capacity assessment.

Part 3. Capacity Building Strategic Plan on Food Safety Regulatory System of CFDA

Develop CFDA’s capacity building strategic plan of food safety regulatory system by: (a) drafting the CFDAs’ strategy drawing from studies and reviews conducted; (b) developing capacity building strategic plan to enhance modernization of CFDA; and (c) conducting workshops to review the capacity building strategic plan of food safety regulatory system for CFDA.

Part 4. International Conference on Food Safety Regulatory System

Organize an international conference, training and workshop on food safety regulatory system, reporting the main findings of the survey conducted before the project, inviting food safety agencies to present their vision, mission and key programs, and to promote the capacity building of food safety regulatory system.

Part 5. Synthesis Report

Prepare reports highlighting key findings of the studies and providing recommendations for the next steps of CFDA’s capacity building and key food safety programs including partnership and cooperation plans with other stakeholders in the implementation of the program.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the CFDA in accordance with the provisions of: (a) 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. (a) The CFDA shall vest overall liaison and coordination of project activities under its International Cooperation Department.

(b) CFDIE shall carry out the administration and implementation of the Project activities, including procurement, financial management, coordination and supervision of consultants, under the overall guidance and oversight from CFDA.
(c) The Recipient shall provide funds for: (i) office facilities; (ii) training facilities; (iii) counterpart staff time; (iv) trainee staff time; (v) local transportation; (vi) administrative support; and (vii) audit.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank's request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank's request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Studies on OECD countries on food safety regulatory system undertaken.

(ii) Studies on China's food safety inspection and supervision system undertaken.

(iii) Capacity assessment methodology adopted and toolkit developed.

(iv) Capacity building plan of national food safety regulatory system and concrete action plan developed.

(c) The Recipient shall, upon the World Bank's request, 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 five (5) months 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 cause CFDA to have its General Financial Statements 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 fiscal year of the CFDA. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) General. All goods and consultants' services required for the Project 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) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) 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

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time in accordance with paragraph 1.18 of the Procurement Guidelines and 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 and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods. Goods shall be procured under contracts awarded on the basis of Shopping.

(d) 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) Selection based on Consultants’ Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. Terms of reference for all consulting services regardless of the amount shall be subject to Bank’s prior review and no objection. 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:
<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) Goods</td>
<td>6,300</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' Services</td>
<td>345,700</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>123,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>475,000</td>
<td></td>
</tr>
</tbody>
</table>

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 three years after the date of countersignature of this Agreement by the Recipient.

**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 or the Director-General of the International Department of the Recipient.

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

International Department  
Ministry of Finance  
Sanlihe, Beijing, 100820  
People’s Republic of China

Facsimile:
(86-10) 6831-5648

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: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391