August 14, 2015

Mr. Yang Shaolin
Director General
International Economic and Financial Cooperation Department
Ministry of Finance
Beijing, China

Re: People’s Republic of China: Global Environment Facility (GEF) Project Preparation Grant (PPG) for the Reduction/Phase-out of PFOS in Priority Sectors Project
GEF-PPG No. TF0A0351

Dear Mr. Yang:

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 an Implementing Agency of the Global Environment Facility (“GEF”), proposes to extend to the Recipient a grant in an amount not to exceed three hundred thousand United States Dollars (U.S.$300,000) (“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 abovementioned trust fund for which the World Bank receives periodic contributions from the 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.

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 set forth in page 1 of this Agreement.

Very truly yours,

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

By
Mara Warwick
Acting Country Director, China
East Asia and Pacific Region
AGREED:
PEOPLE'S REPUBLIC OF CHINA

By:

Authorized Representative

Name: Yang Shaojun
Title: Director, General, International Economic and Financial Corporation Department, Ministry of Finance
Date: September 30, 2015

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

1.01. Standard Conditions. The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), with the modifications set forth below, constitute an integral part of this Agreement:

The definition of the term “Project” in paragraph 18 of the Appendix in the Standard Conditions is replaced by the following, and said term, wherever it appears in the Standard Conditions, shall be read as “Activities”.

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 as follows:

(a) “FECO” means the Foreign Economic Cooperation Office within the Recipient’s Ministry of Environmental Protection, or any successor thereto.

(b) “Incremental Operating Costs” means the incremental operating costs incurred by the Recipient for purposes of management and implementation of the Activities, on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing and translation services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s civil service.

(c) “PFOS” means perfluorooctane sulfonic acid, its salts and perfluorooctane sulfonyl fluoride.

(d) “Training and Workshops” means training activities during the preparation stage of the China Reduction/Phase-out of PFOS in Priority Sectors Project, attributable to workshops, seminars and study tours, along with the cost of domestic and international travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation as may be approved by the World Bank.

Article II
Grant Execution

2.01. Grant Objectives and Description. The objective of the Grant is to assist in the preparation of the China Reduction/Phase-out of PFOS in Priority Sectors Project, which has as main objectives to reduce consumption and production of PFOS in selected industry sectors and enterprises. The Activities consist of the following parts:

(a) Surveys and sector plans. Providing technical support for: (i) a survey in key provinces/areas in four priority sectors (production, metal plating, firefighting, and pesticide control); (ii) the development of technical guidelines/screening criteria for demonstration pilots in metal plating industrial park/factory; firefighting factory/practice field, pesticide manufacturers and application
areas; (iii) the development of sector plans in four priority sectors (production, metal plating, firefighting, and pesticide control) for the implementation of the China Reduction/Phase-out of PFOS in Priority Sectors Project; (iv) drafting an implementation manual for the China Reduction/Phase-out of PFOS in Priority Sectors Project.

(b) Environmental and social safeguards instruments. Providing technical assistance in preparing: (i) a list of candidate demonstration factories/industrial parks; (ii) an environmental and social management framework; (iii) an economic and environmental risk analysis; (iv) executive summary/ies of environmental and social assessments; (v) environmental impact assessment(s) and/or environmental audit(s) for at least one of the demonstration sites; and (vi) any required resettlement policy framework or action plan(s).

(c) Studies on alternative techniques and PFOS policy and regulatory review. Carrying out of studies related to: (i) international and national legal frameworks for PFOS management; (ii) proposed legislative and regulatory framework for managing PFOS in China; (iii) a gap analysis of policies and guidelines, capacities of local environmental protection bureaus and local laboratories for PFOS contamination in products screening; (iv) technical review of PFOS alternative technologies that are available in the domestic and international markets; and (v) recommendations on policies, regulations and technical guidelines to be developed under the China Reduction/Phase-out of PFOS in Priority Sectors Project.

(d) Implementation support. Supporting implementation support activities, information sharing, and workshops for coordination among relevant stakeholders, preparation of a design document for the China Reduction/Phase-out of PFOS in Priority Sectors Project, and development of terms of references for key activities under the China Reduction/Phase-out of PFOS in Priority Sectors Project.

2.02. Grant Execution Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient, through FECO, shall carry out the Activities, in accordance with the provisions of: (a) Article II of the Standard Conditions; and (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”).

2.03. Institutional and Other Arrangements. The Recipient, through FECO, ensure that the terms of reference for any consultancies related to studies, assessments, regulations, technical guidelines, training and technical assistance activities described in Section 2.01 above shall be satisfactory to the World Bank and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank’s safeguard policies then in force, as applied to the advice conveyed through such studies, assessments, regulations, technical guidelines, training and technical assistance activities.

2.04 Documents; Records.

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Activities are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-
agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting
evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to
above in paragraph (a); (ii) provided all such information concerning such records as they may from
time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

2.04. Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the
progress of the Activities and prepare Project Reports in accordance with the provisions of Section 2.06
of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project
Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank
not later than forty-five (45) days after the end of the period covered by such report.

(b) 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 October 30, 2016

2.06. 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 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 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.

2.07. Procurement

(a) General. All goods, non-consulting services and consultants’ 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) Section 1 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 (revised July 2014) (“Procurement Guidelines”), in the case of goods and non-consulting
services;

(ii) Sections 1 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 (revised July 2014) (“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 by the Recipient for the Activities 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 and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following method, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) 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, other than Quality- and Cost-based Selection, 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. 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) 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. 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>
</table>

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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 this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed $60,000 equivalent may be made for payments made prior to this date but on or after May 1, 2015, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2016.

### 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 its 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) 6855-2077

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

<table>
<thead>
<tr>
<th>(1) Goods, non-consulting services, consultants’ services, Incremental Operating Costs and Training and Workshops</th>
<th>300,000</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000</td>
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