Mr. Chen Shixin
Director General
International Economic
and Financial Cooperation Department
Ministry of Finance
Beijing, PR. China

Re: People’s Republic of China: Global Environment Facility (GEF) Project Preparation Grant (PPG) for the Capacity Strengthening for Implementation of Minamata Convention on Mercury Project
GEF-PPG No. TF0A3198

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 an Implementing Agency of the Global Environment Facility (“GEF”), proposes to extend to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars (U.S.$200,000) (“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: [Signature]

Elena Glinka
Acting Country Director, China
East Asia and Pacific Region

AGREED:

PEOPLE'S REPUBLIC OF CHINA

By: [Signature]

Authorized Representative
Name: Liu Weihua
Title: Deputy Director General, Department of International Economic and Financial Cooperation, Ministry of Finance.
Date: 2016/10/24

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) "ESMF" means the Environmental and Social Management Framework dated July 18, 2016, prepared and publicly disclosed by the Recipient, and approved by the World Bank, which sets out, among other things: (i) key principles for social and environmental management of the Activities; (ii) procedures to screen and process the Activities for significant social and environmental impacts, and to assist in mitigating these impacts; and (iii) guidelines for capacity building and monitoring; as such framework may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.

(b) "FECO" mean the Foreign Economic Cooperation Office established within MEP, as defined herein, responsible for managing and coordinating the Activities, or any successor thereto.

(c) "Ministry of Environmental Protection" and "MEP" mean the Recipient’s Ministry of Environmental Protection, or any successor thereto.

(d) "PMO" means the Project management office established within FECO on July 29, 2016, and referred to in Section 2.03 (a) below, or any successor thereto.

(e) "Project Provinces" means, collectively, the Recipient’s Provinces of Guizhou, Hunan and Shaanxi, or such other province of the Recipient as agreed with the World Bank.

(f) "World Bank’s Safeguards Policies" means the operational policies and procedures for financing of development projects by the World Bank at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples (Ethnic Minorities), Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, Projects on International Waterways, and Projects in Disputed Areas, as published under www.WorldBank.org/opmanual.
Article II
Grant Execution

2.01.  Grant Objectives and Description. The objective of the Grant is to support the preparation of the Capacity Strengthening for Implementation of Minamata Convention on Mercury Project, which has as main objectives to: (a) develop a national strategy on mercury and related action plans; and (b) improve the Recipient’s mercury management capacity and readiness to implement this strategy in the Project Provinces. The Activities consist of the following:

(a) provision of technical support for the formulation of an environmental risk management framework for contamination from a primary mercury mine area; and

(b) provision of technical support for selection and assessment of potential technical approaches to remediating contaminated sites.

2.02.  Grant Execution Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient, through MEP, 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. (a) For the purpose of carrying out the Activities, the Recipient, through MEP, shall maintain the PMO, with terms of reference, staffing and other resources satisfactory to the World Bank.

(b) The Recipient, through MEP, shall ensure that the Activities are carried out in accordance with the provisions of the ESMF. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, the ESMF, or any provision thereof.

(c) The Recipient, through MEP, shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the ESMF.

(d) The Recipient, through MEP, shall ensure that all studies and technical assistance to be supported under the Activities are carried out under terms of reference satisfactory to the World Bank, and that such terms of reference are consistent with, and pay due attention to, the World Bank’s Safeguards Policies.

(e) In the event of a conflict between the provisions of any of the ESMF and those of this Agreement, the provisions of this Agreement shall prevail.

2.04.  Monitoring, Reporting and Evaluation. (a) The Recipient, through MEP, 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, through MEP, 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 two (2) 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 have its Financial Statements for the Activities audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for 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 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) 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 (revised July 2014) (“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, 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) Quality-based Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(d) **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 100% of Eligible Expenditures consisting of consultants’ services inclusive of Taxes.

3.02. Withdrawing 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.

3.03. Withdrawing Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 13, 2017.

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