

**PROJECT INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.: AB3735

<b>Project Name</b>	Jilin Food Safety
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Sector</b>	Agro-industry (40%); Animal production (20%); Agricultural marketing and trade (20%); Crops (20%)
<b>Project ID</b>	P101716
<b>Borrower(s)</b>	PEOPLE'S REPUBLIC OF CHINA
<b>Implementing Agency</b>	
<b>Environment Category</b>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input checked="" type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	March 14, 2008
<b>Estimated Date of Appraisal Authorization</b>	December 1, 2008
<b>Estimated Date of Board Approval</b>	March 3, 2009

1. Key development issues and rationale for Bank involvement

Jilin Province has a population of 27 million. It has 75.03 million mu (5 million ha) under agricultural production and is a major supplier of agricultural products to other parts of China. Food Safety is a serious problem in China. It is often reported in the press and has become a domestic political issue and an economic liability in terms of China's exports. The Central government has taken clear action to improve the situation. It passed the Law of the Peoples Republic of China on Agricultural Product Quality and Safety. The State Council has also passed the first draft of a Food Safety Law. In late 2007, the Vice-minister for Agriculture, Mr. Gao Hongbin completed a national campaign to improve agricultural product quality. Jilin province is in the process of updating its food safety procedures to bring them into line with these new national laws. It has also decided to make investments in public infrastructure and staff training in order to meet the fiduciary requirements of these laws and strengthen enforcement capacity.

With the Chinese economy changing rapidly from a centrally planned to a market economy, there is a need for food producers and the government to move beyond the old system of detailed production norms and heavy administrative control to a more market oriented approach. For the agribusiness sector, this would include more self regulation and the use of certification systems, adoption of new technologies and improved knowledge of the cost and benefits of food safety compliance and the establishment of food quality standards and brand name recognition. The Government would also need to adjust its procedures to focus on more risk based monitoring and enforcement of standards, education and training on food safety and food quality, and facilitation of better private sector production practices.

Food quality, as opposed to the basic level of food safety, is also becoming an increasingly important issue in China as incomes in urban areas are increasing and consumers are demanding higher quality food and reliable certification systems to determine quality of food. This Project

would explore ways to improve product certification, labeling and tracability as a way of adding value to food products.

Another important issue facing China as food safety and food quality requirements increase is the concern that many of the approximately 700 million small scale farmers will not be able to compete in high value agricultural product chains because of their inability to meet the consistency and aggregation requirements of modern high value food chains. The Government has stated in its last three “Number 1 documents” that one of its key objectives is to increase rural incomes. Incorporating small scale farmers into high value food chains is one the most important strategies for achieving this goal.

This operation is linked to the Country Partnership Strategy in that it supports Pillar 1, “Integrating China into the World Economy” by assisting Jilin Province to adopt international best practice in the area of agricultural product safety and quality, which could serve as a demonstration for other areas of China. It would also support Pillar 2 “Reducing Poverty, Inequality, Social Exclusion,” by expanding the economic opportunities for small farmers through the development of new technologies and institutions that would allow them to enter into high value agricultural product chains.

## 2. Proposed objective(s)

The objective of this project would be to improve the legal and regulatory environment and the institutional capacity, in both the private and public sector, to manage agricultural product safety and quality in Jilin Province.

### Key outcome indicators:

- (a) Improved regulations for agricultural product safety are issued.
- (b) Jilin Government’s capacity for agricultural product safety testing is increased.
- (c) Baseline of areas designated as unsafe for food production is complete.
- (d) Jilin Government agricultural product safety monitoring system is established.
- (e) Jilin Government agricultural product certification and tracking system for selected products is established.
- (f) Training program for farmers on good agricultural practices (GAP) is established.
- (g) Public education and advertising campaign on agricultural product safety is completed and product safety awareness is increased.
- (h) Viable business models and public private partnerships for incorporating farmers into high value agricultural product chains are developed and tested.

## 3. Preliminary description (Total IBRD, \$100 million estimated)

The total project investment is estimated to be \$200 million of which \$100 million would be financed by IBRD. The components and sub-component presented here include all of the sub-components that have been presented to us by the Jilin provincial government. In some cases the approach the Jilin Government is proposing is not what the Bank would consider international best practice. In these cases both the Government view and the World Bank view on best practice has been presented. These are areas that will require further discussion during the detailed preparation phase of the project cycle.

**Component 1. Public Monitoring and Promotion of Agricultural Product Quality and Safety (80 percent of total project cost).** This component would provide block grants to provincial and municipal government entities to upgrade procedures, laboratory equipment and the quality of staff, thus upgrading public services in the area of agricultural product quality and safety. It would also provide funds for promotion of agricultural product quality and safety through public information campaigns and extension services to producers to promote good agricultural practices (GAP) and to processors wishing to obtain internationally recognized product safety certifications such as International Standards Organization (ISO) certification. The individual sub-components of this project component are discussed in more detail below.

**Component 2. Demonstration Models for Standardized Safe Production Methods (20 percent of total project cost).** This component would provide sub-loans or grants to private enterprises or to individuals to test and demonstrate models for integrating small-scale farmers into high quality, high value, agricultural product chains. For example, a group of farmers and a meat processor would like to produce organic pork, because they have determined that they would all be financially better off if they did so. But the meat processor is having problems getting a consistent quality and quantity of pigs from farmers that are certified organic, and it would cost the processor too much to monitor and control each small producer. This project could provide funds to help farmers invest in new technologies, such as feeding pens, and new institutions, such as a cooperative that monitors producers, which would allow them to overcome the constraints to aggregation of product and quality control.

To qualify for grants, firms would need to demonstrate that their proposed sub-project meets the overall objective of the project to increase food safety or food quality. In addition, the proposed sub-project would need to be technically and financially viable, and the borrower would need to be financially qualified to borrow the proposed level of funds. During preparation, a set of eligibility criteria would be prepared for the companies or farmers that would be permitted to participate in the project. An example of the type of eligibility criteria that should be used is attached in Annex 1. The program would be advertised and all eligible companies be allowed to compete for the funds. An objective process for screening applications and selecting the final sub-projects would be in place. A process to appraising beneficiary applications for funds, monitoring the use of funds and collecting reflows from cost recovered grants or sub-loans would also need to be established.

Implementation Arrangements: This project will be managed by an established Project Management Office (PMO) in the Finance Bureau of Jilin Province. It has already managed earlier World Bank projects and is familiar with the Bank's procedures. The implementing agencies for the project will be Agriculture Bureau, Livestock Bureau, and Water Bureau, for component A, and the Jilin Finance Bureau for Component B. Implementation of individual sub-projects under Component B will be carried out by combinations of agribusiness companies and small-scale farmers or farmer's organizations.

#### 4. Safeguard policies that might apply

This project would most likely be rated as a Category B environmental project (still to be determined). An environmental assessment for the project would review laws related food safety and regulations that govern the management of testing laboratories, and project guidelines on good agricultural practices to ensure that they comply with the Bank's environmental guidelines. During implementation, the management of laboratories would be monitored for ensure compliance with Bank environmental guidelines. Sub-projects selected under Component 2 would be screened and monitored to ensure that implementation of good agricultural practices are in compliance with Bank environmental guidelines (OP 4.01) and pest management safeguards (OP 4.09).

#### 5. Tentative financing

Source:		(\$m.)
Borrower		100
International Bank for Reconstruction and Development		100
	Total	200

#### 6. Contact point

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