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تمكين السكان الريفيين الفقراء
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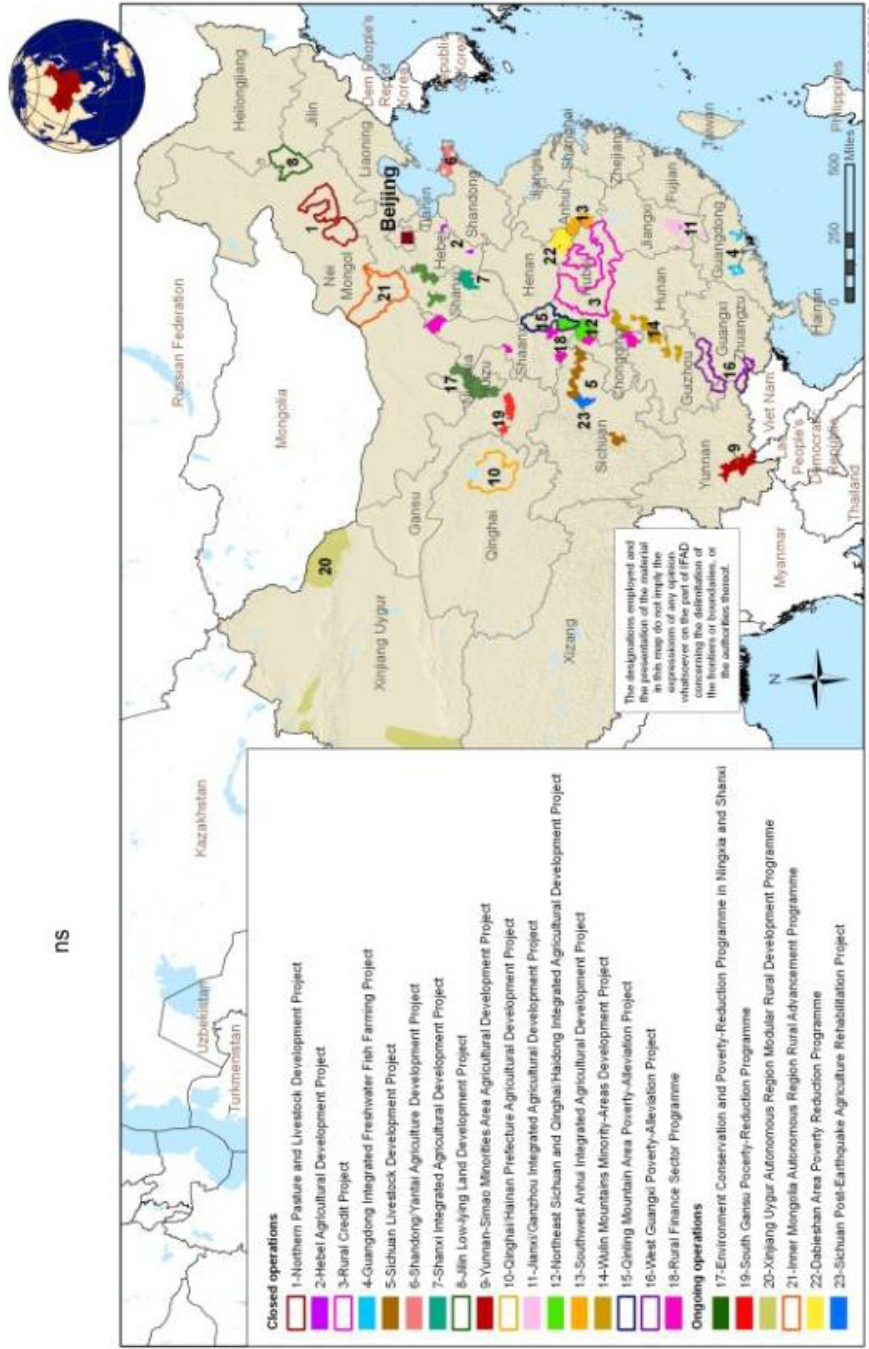
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³ هي أقاليم الحكم الذاتي المتمثلة في غوانغشي، ومنغوليا الداخلية، وبيغشيا، والتبت، وشينجيانغ، ومناطق غويتسو، وقينغهاي، ويونان.

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COSOP consultation process

A. Introduction

1. The design of the COSOP largely entwined with the Country Program Review (CPR) in China. The later was a self-review conducted by the Asia and the Pacific Division of IFAD, but to a large degree was also taken as part of the COSOP process that contributed the positioning and toning of the COSOP. Therefore, the consultation process for the design of the COSOP consisted of the following stages: (a) establishment of in-country Peer Review Group for the design of the COSOP and CPR; (b) inception consultation of the Peer Review Group (PRG) for COSOP and CPR; (c) CPR missions undertook in May 2010 to Beijing and 4 project provinces, where bilateral consultations on future IFAD strategies among others were made; (d) Preparation of issue papers as inputs for the design process; (e) A CPR wrap-up and COSOP consultation in June 2010 to receive comments by Peer Review Group and government stakeholders; (f) Preparation of COSOP draft and consultation workshop with government stakeholders and peer review group; (g) A second stakeholder workshop in May 2011 on the revised COSOP draft with broader participation from most parties that IFAD work with. Finally an in-country validation workshop with Government on China was held on 30 June and 4 July 2011 to further review the comments from the IFAD internal reviews and receive confirmation from key stakeholders.

B. Establishment of Peer Review Group (March 2010 and onwards)

2. In order to maintain both in-house and in-country quality assurance reviews for the CPR and COSOP, an in-country Peer Review Group (PRG) was established to guide the CPR and COSOP process, share experience and solicit for operational and thematic recommendations to guide and improve the CPR and COSOP. The PRG primarily act as a resource group and participated in the key steps in the consultation process.
3. The PRG had a relatively broad participation with representatives from ministries, government institutions, PMOs, donor organizations and NGOs. Around 30 staff from 7 government institutes, 3 PMOs, one NGO and 5 international organizations joined this group. Ministry of Finance as the window agency for IFAD, took the lead in coordination with other government agencies and IFAD was taking the responsibility to contact donor agencies. But essentially IFAD, MOF and National Development and Reform Commission (NDRC) were driving this process.
4. The PRG members contributed towards the formulation of COSOP through their engagement in the COSOP Consultation Workshops and by reviewing the CPR and COSOP documents during the process of drafting the two documents.

C. CPR-COSOP Inception Consultation (March 2010)

5. The First consultation workshop was organized by IFAD together with the Ministry of Finance (MOF). The workshop was intended to discuss the approach for the CPR and provided comments to the focuses of the review. By reviewing the success factors in China's poverty reduction and areas for further emphasis and focuses, the participants provided many useful guiding suggestions to the CPR, mainly requiring it to take into full consideration the overall social and economic development context and the evolving rural development issues and emerging external threats such as the climate changes and financial crisis. Similarly, the successful experiences of IFAD operation and areas for future emphasis by the IFAD country program were also discussed and suggested from the consultation.
6. The COSOP approach and the milestones were shared and discussed with the PRG members. The consultation focused on the comparative advantages of IFAD in China and the perspectives of poverty reduction and rural development in China. From

there the government ministries and line agencies expressed their views on their strategic measures and suggested areas of future focus by donors like IFAD.

7. The viewpoints presented, recommendations and conclusions were recorded by IFAD, and were taken by both the CPR and COSOP mission for inclusion in the respective processes. The Inception workshop marked the launching of the COSOP preparation process and the Country Program Review to IFAD program in China.
8. The outcome of this workshop was the aligned understanding of the Peer Review Group members to the IFAD China portfolio, the approaches and concerns of the CPR and COSOP missions, and views of audience to the key thematic issues and inputs to the approach and focuses of the CPR and COSOP.

D. Country Program Review (March-October 2010)

9. The CPR took place in the whole month of May 2010, which involved desk reviews, field visits and consultations with stakeholders and partners. The CPR team made desk reviews to 11 out of the 23 projects funded by IFAD thus far. Field visits were made to seven projects to interact with local stakeholders and beneficiaries. Consultations were made with donors, central government stakeholders, researchers and experts in the field of rural development and poverty reduction, to gain their views in related thematic subjects and understand their perspective approach
10. The COSOP team was also involved in the CPR consultation, this helped the COSOP team to capture the key messages coming out from these discussions and from partners, so as to reflect them in the drafting of the COSOP document.
11. Among others, bilateral consultations were made with officials of Ministry of Finance, Development Research Center of the State Council, Ministry of Agriculture, All China Women's Federation, and renowned researchers from People's University, China Center for Agricultural Policy, Chinese Academy of Sciences etc.. Consultations were also made with donors like World Bank and ADB. These consultations were informative in gaining partner's different perspectives towards poverty reduction and rural development, from their institutional mandate. It helped to gain partners' suggestions on the role of IFAD in China's rural poverty reduction, bearing in mind the comparative scale and scope of its operation in China. Managing evidence based knowledge to achieve policy influence was one of the most mentioned suggestions, while capacity and institutional building, gap-filling role to increase the efficiency and effectiveness of government programs are the next group of anticipated roles that were considered appropriate for IFAD.
12. Some weakness in this process was that, some line institutions were well involved in IFAD program at local levels but not necessarily at the central level, therefore the contributions to facilitate the IFAD CPR and COSOP was not as effective as those familiar with IFAD. The private sector and non-governmental organizations was perceived as important potential players for the IFAD country program, but their participation in the process is limited.
13. The positive side is the good contribution from the ongoing and completed IFAD program in China, who were represented in all the consultation workshops for the CPR and COSOP.

E. Second Consultation Workshop (June 2010)

14. When the CPR field mission was made and bilateral consultations were mostly made, the key findings were established. A second consultation workshop was then organized on 1 June 2010 with Peer Review Group members invited to share and discuss the preliminary findings of the CPR mission. The workshop also provided a chance to further elaborate the key strategic focuses of IFAD operation that will be addressed in the new COSOP, based on the findings from the CPR mission, which among others were:

Innovation and replication

- (a) Policy dialogue

- (b) Partnership with NGOs and private sector
 - (c) Targeting and gender
 - (d) Market access for poor farmers
 - (e) Rural credit issues
 - (f) Environmental issues
15. The consultation used plenary and group sessions to maximize the interaction and sharing of views. Simultaneous language interpretation was provided to facilitate the communication. An aid memoire of the CPR mission was disseminated as well an outline of issues in Chinese to provoke discussions.
16. Group discussions were made on the issues of targeting, innovation and scaling up, policy dialogue, environment and gender mainstreaming. The main messages received that are relevant to the COSOP can be summarized as follows:
- (a) Enhanced and expanded partnership remains important and challenging for IFAD program, especially with civil society organization and private sectors.
 - (b) Targeting to poor segment of rural population should be continued. However, the respective methods and criteria of targeting may need to be adapted with due consideration of government policies and practices. Baseline survey is important to improve targeting and for impact monitoring.
 - (c) Partnership with Women Federations at the provincial and national level is to be enhanced to achieve more impact in gender mainstreaming
 - (d) Environment to be considered in IFAD program including risk prevention and disaster mitigation, but in a more broad perspective to address local specific issues. Prioritization over environment should be carefully balanced vis-à-vis meeting the basic livelihood improvement needs.
 - (e) Grant may be explored and can to be made better use to serve policy dialogue, which can happen at various levels. Local government to be further engaged in design and evaluation for sake of policy influence. Specific research activity/project can be considered. Partnership with other agencies may be explored.
 - (f) Scaling up to be foreseen in design stage with necessary provisions, knowledge management to be enhanced to facilitate scaling up and innovation. IFAD is anticipated to be innovative and bringing new ideas.

E. Thematic Studies (April-October 2010)

17. Three thematic papers were prepared to by specialists between April and October 2010 to serve as inputs to the COSOP. These papers were prepared with an aim of not only providing further elaboration on the evolving development situation in China and prospects on the pertinent thematic issues, but also suggesting the potential opportunities and challenges for international cooperation programs from donors like IFAD.
18. The papers were:
- (a) China's agricultural and rural development – retrospect and prospect
 - (b) Baseline rural poverty analysis in China
 - (c) Environment, energy and climate change in the context of agricultural and rural development in China

F. Third Consultation Workshop (October 2010)

19. With the contributions from the CPR and the two consultation workshops, the COSOP draft was prepared by October 2010. A third consultation workshop was organized on 29 October 2010 in Beijing. The objective of the workshop was to 1) review lessons and experience from the past performance of the IFAD country program in China, 2) consolidate the strategic opportunities and define expected outcomes of the IFAD China country strategy for the coming five years.

20. Probably due to the inappropriate timing of the workshop, not all the Peer Review Group members were able to participate in the meeting, some donor representatives were also not present. Nevertheless the Chinese government was well represented by the Ministry of Finance, the National Development and Reform Commission and the State Council Poverty Alleviation Office. From IFAD, the Division Director, the Regional Economist and CPM for China and Evaluation Office was present.
21. The workshop has helped to gather concrete comments, especially from government, to the COSOP results framework and the strategic objectives. Specifically, the government representative provide explicit ideas in terms of priority focuses of IFAD country program, emphasis and approaches for policy dialogue, managing innovations in the country program. The discussions also raised further thoughts for the COSOP finalization in relation to partnership with private sector, working with farmer organizations, in addition to the usual on-lending practice between different levels of government agencies.

G. CPMT Meeting (11 October 2010)

22. Before the COSOP draft was revised for the 29 October Consultation, a CPMT meeting was called upon in IFAD by the CPM on 11 October 2010 to review the draft COSOP. The APR Division Director and colleagues from LAC, ESA, PTA participated in the meeting. A number of suggestions were made for enhancing the quality of the COSOP, which were dully taken in revising the COSOP.

H. Stakeholder Workshop (May 2011) and Final Validation (June/July)

23. In the process of finalizing the draft COSOP, the CPM was rotated and a new CPM took over the China portfolio. Meanwhile the IFAD Strategic framework for 2011-2015 also underwent debate and revision, with the final version released by IFAD online on 29 April 2011.
24. During the same period, the government also finalized its 12th Five Year Plan in early March 2011, which served the basis for finalising the COSOP Results Management Framework in Appendix III. Also the government Rural Poverty Reduction Strategy for 2011-2020 was reviewed by the Central politburo in early April 2011 and internally finalized by end May 2011, but not yet released to the general public. Nevertheless, its main elements were presented to the May 2011 Stakeholder Consultations and helped finalise the present results based COSOP. The overall objective of the strategy is to steadily ensure adequate food and clothing, basic education, medical care, housing, basic public services for the poor, to achieve above average per income increase of the poor and to reverse the further widening of the development gap. This was used as the basis for finalising the results framework of the COSOP.
25. Given the above context, it was felt necessary to further revise the COSOP draft, more importantly the strategic objectives for the COSOP to make it in line with the format of IFAD requirement, linking better with the corporate Strategic Framework 2011-2015, as well to align more closely with the government strategies newly announced. A revised COSOP, with re-structured strategic objectives was made subsequently. A stakeholder workshop was again called on 5~6 May 2011 for to review the revised COSOP, this time with even broader participation to have included representatives from the private sectors, the beneficiaries, researchers., in addition to government and donor parties. Altogether over 40 participants participated in the workshop with strong participation from and ownership by the key government partners to IFAD.
26. The stakeholder workshop reviewed the priorities and strategies of the government plans and poverty reduction strategies, the challenges and opportunities for IFAD and its target groups in remote mountainous areas, in light of the new strategic orientation of the organization. There is high consistency of IFAD and government strategies in terms of achieving common goals of increasing food security and

improving farmer's income and resilience. As a result of the joint team work with the stakeholders and the IFAD in-country team, the Strategic objectives, the outcome areas were generally agreed upon.

27. Overall, the government would like to continue partnering with IFAD during the next COSOP cycle, have the IFAD COSOP to be fully aligned to the 12th Five year Plan and the Poverty Reduction Strategy. IFAD's role in China has been recognized as one that brings in new approaches and mechanisms, innovations and being a platform for international sharing of experience to contribute to global food security and poverty reduction. Meanwhile, IFAD has also been expected to be more flexible in its partnership with countries like China at the middle income level.
28. The final validation of the results based COSOP was undertaken in Beijing during two half-day sessions held on 30 June and 4 July 2011. Both sessions were attended by concerned officials from MOF, NDRC, and IFAD.

Country economic background

COUNTRY DATA

China

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| Land area (km2 thousand) 2008 1/ | 9 327 | GNI per capita (USD) 2008 1/ | 2 940 |
| Total population (million) 2008 1/ | 1 324.66 | GDP per capita growth (annual %) 2008 1/ | 8 |
| Population density (people per km2) 2008 1/ | 142 | Inflation, consumer prices (annual %) 2008 1/ | 6 |
| Local currency Yuan Renminbi (CNY) | | Exchange rate: USD 1 = CNY | |
| Social Indicators | | Economic Indicators | |
| Population growth (annual %) 2008 1/ | 0.5 | GDP (USD million) 2008 1/ | 4 326 996 |
| Crude birth rate (per thousand people) 2008 1/ | 12 | GDP growth (annual %) 1/ | |
| Crude death rate (per thousand people) 2008 1/ | 7 | 2000 | 8.4 |
| Infant mortality rate (per thousand live births) 2008 1/ | 18 | 2008 | 9 |
| Life expectancy at birth (years) 2008 1/ | 73 | | |
| | | Sectoral distribution of GDP 2008 1/ | |
| Total labour force (million) 2008 1/ | 776.88 | % agriculture | 11 |
| Female labour force as % of total 2008 1/ | 45 | % industry | 49 |
| | | % manufacturing | 34 |
| | | % services | 40 |
| Education | | Consumption 2008 1/ | |
| School enrolment, primary (% gross) 2007 1/ | 112 | General government final consumption expenditure (as % of GDP) | 14 |
| Adult illiteracy rate (% age 15 and above) 2008 1/ | 6 | Household final consumption expenditure, etc. (as % of GDP) | 34 |
| | | Gross domestic savings (as % of GDP) | 53 |
| Nutrition | | Balance of Payments (USD million) | |
| Daily calorie supply per capita | n/a | Merchandise exports 2008 1/ | 1 428 488 |
| Malnutrition prevalence, height for age (% of children under 5) 2008 1/ | n/a | Merchandise imports 2008 1/ | 1 133 040 |
| Malnutrition prevalence, weight for age (% of children under 5) 2008 1/ | n/a | Balance of merchandise trade | 295 448 |
| | | Current account balances (USD million) | |
| Health | | before official transfers 2008 1/ | 373 542 |
| Health expenditure, total (as % of GDP) 2007 1/ | 4.3 | after official transfers 2008 1/ | 426 107 |
| Physicians (per thousand people) 1/ | n/a | Foreign direct investment, net 2008 1/ | 94 320 |
| Population using improved water sources (%) 2006 1/ | 88 | | |
| Population using adequate sanitation facilities (%) 2006 1/ | 65 | Government Finance | |
| | | Cash surplus/deficit (as % of GDP) 2008 1/ | n/a |
| Agriculture and Food | | Total expense (% of GDP) ^{a/} 2008 1/ | n/a |
| Food imports (% of merchandise imports) 2008 1/ | 5 | Present value of external debt (as % of GNI) 2008 1/ | 10 |
| Fertilizer consumption (hundreds of grams per ha of arable land) 2007 1/ | 3,311.1 | Total debt service (% of GNI) 2008 1/ | 1 |
| Food production index (1999-01=100) 2007 1/ | 125 | | |
| Cereal yield (kg per ha) 2008 1/ | 5 535 | Lending interest rate (%) 2008 1/ | 5 |
| | | Deposit interest rate (%) 2008 1/ | 2.2 |
| Land Use | | | |
| Arable land as % of land area 2007 1/ | 15 | | |
| Forest area as % of total land area 2007 1/ | 22 | | |
| Agricultural irrigated land as % of total agric. land 2007 1/ | n/a | | |

a/ Indicator replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database CD ROM 2010-2011

COSOP results management framework

| Country Strategy Alignment | COSOP Strategic Objectives | COSOP Outcome ⁴ Indicators (Gender disaggregated) | COSOP Milestone Indicators | COSOP Institutional/Policy Objectives |
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| <i>Government's goal: Improvement of livelihoods of the rural poor with accelerated, sustainable & modernised agricultural & rural development</i> | <i>IFAD's Goal: Enable poor rural people improve food security, raise incomes & strengthen resilience</i> | <i>For targeted households: %age reduction of malnourished children, & improvement in incomes & assets.</i> | Number of households report increased incomes and show improved food security. | Enabling institutional and policy environments support agricultural production & the full range of related activities |
| 12th Five Year Plan (2011-2015): consolidating and strengthening agriculture as the foundation of the rural economy; improving rural production and living conditions; improving rural institutions; & promoting green development; 2011-2020 Poverty Reduction Strategy: achieve adequacy for poor rural people in food and clothing; improve public services in rural areas; & reverse the widening development gap between urban and rural areas. | SO1: <i>The rural poor in targeted areas sustainably use enhanced productive natural and economic assets and improved technology and advisory services, in a changing environment and market conditions</i> | -Households (HHs) reporting increases in productivity, incomes, & food security; -HHs adopting sustainable production approaches; -Percentage of targeted HHs reporting increased assets; -HHs with renewable energy and improved sanitation; -HHs adopting soil and water conservation measures; & -Proportion of baseline degraded lands rehabilitated. | -HHs benefitting from IFAD projects; -HHs with: improved food security; and increased assets; -Hectares of irrigated lands and KMs of rural roads constructed; -HHs adopting eco-agricultural practices; and -Farm families with improved sanitation & biogas digesters. | -Government mobilises counterpart funds on 1:1 ratio; -Government provide policy incentives to: promote diversified rural financial services for the poor; provide improved sanitation & drinking water; & build the poor's capacity to benefit from exposure to markets; -Support scaling up innovations and sharing knowledge; -Training and application of knowledge and techniques in risk management and ecosystem protection is supported to strengthen farmers' resilience; -Resources, services, and projects in agriculture and rural development are leveraged to support farmers' associations, and rural micro-enterprises, to mainstream local sectoral development, and link cooperative ventures into improved and suitable value chains with good quality and food safety standards. |
| 12th FYP: diversifying farmer's income sources; developing financial markets & rural financial services; and encouraging innovation; 2011-2020 Poverty Reduction Strategy: maintain farmer's income growth above the national average; promote comprehensive development (employment, incomes, livelihoods). | SO2: <i>The rural poor and their organisations are enabled to take advantage of improved market access and financial services for increased income generation and enhanced resilience to risks.</i> | -Poor HHs that received financial services and marketed their products remuneratively; -cooperatives and associations that successfully diversified & expanded their sources of incomes, and are functional; -Employment generated for the poor in target villages. | -No. of cooperatives strengthened with financial services & market access; -No. of income generating activities supported, and proportion that developed into micro-enterprises; -Person-year of employment generated. | |
| 12th FYP: Pursue a mutually beneficial opening up strategy, integrating "bringing in" and "going out" in terms of investments, and accessing markets. 2011-2020 Poverty Reduction Strategy: enhance exchanges & sharing with the international society on poverty reduction. | SO3: <i>Enhanced South-South cooperation and knowledge management provides opportunities for sharing knowledge generated from innovations and scaling up good practices in rural development.</i> | -Chinese representatives engage in IFAD supported policy dialogues; -No. of functioning knowledge networks involving China; No. and frequency of south-south cooperation events held, and exchange visits involving IFAD projects taking place. | -A knowledge management strategy in place; -1 south-south cooperation event and 2 exchange visits organised per year; -1 newsletter produced per year & the IFAD-China website functions. | |

⁴ The Results Management Framework will be refined during the COSOP to include available information, and Indicators will be disaggregated by gender, to the extent possible.

Previous COSOP results management framework

A. The 1999 COSOP

1. The 1999 COSOP was prepared at a turning point in China's rural development. After a decade during which China's reform process had largely focused on the urban sector and urban-rural gaps had sharply widened, China's policy-makers were now refocusing their planning on balanced growth that benefited both urban and rural populations. The 10th Five-Year Plan, under preparation at that time, included a new development-based poverty reduction strategy that emphasized coordinated and comprehensive approaches to improving rural livelihoods.

2. The new IFAD strategy, centered on an integrated multi-sector approach to rural development, built effectively on the results and lessons of earlier projects, and was consistent with this new government agenda. This was a relevant approach at the time of COSOP formulation. Although China had already made considerable progress in rural poverty alleviation, poverty levels were still high enough, and severe enough, that large donor-supported integrated development programs were still urgently needed. The COSOP noted that by integrating vulnerability assessment mapping (VAM) findings with the government's own poverty data, two main pockets of poverty had been identified, in the south-southwest and north-central regions of China. At the same time the COSOP listed nine provinces and autonomous regions (Xinjiang, Qinghai, Tibet, Ningxia, Gansu, Shaanxi, Sichuan, Yunnan and Hainan) as high poverty ones and noted that large pockets of poverty existed in three other provinces (Anhui, Guizhou and Hubei). This was almost half the country.

3. China's fiscal situation at that time offered further justification for IFAD's approach. Government fiscal capacity had been strengthened by the 1994 fiscal reform but was still relatively weak. Although more revenues were under central control the overall revenue/GDP ratio was still low. At the same time no robust equalization mechanisms were in place to ensure adequate resources for poorer local governments. Local governments in less developed regions of the country had urgent need for financial support for the provision of basic social and agricultural services.

4. One key innovation in the 1999 COSOP was the decision to base rural finance activities on cooperation with rural credit cooperatives (RCCs), in order to support their development into sustainable rural financial institutions that recognized that poorer households could be profitable customers. This approach was appropriate at that time, as alternative institutions were not yet in existence, and the prior IFAD practice of having project management offices (PMOs) directly manage lending activities raised clear issues of sustainability. However, practical problems, including the uncertain status of the RCCs as rural finance policy evolved, and the high cost of IFAD funds to RCCs until 2002 led to implementation problems. The COSOP did not take note of the likelihood of these problems. Although the COSOP was developed through an appropriately consultative process, with support from key national counterparts, many difficulties and disagreements arose at the project level during implementation. More efforts were needed at project level to support the agreed process of shifting to the use of RCCs as the main vehicles of rural financial services instead of PMOs.

5. As a result, although the IFAD approach was relevant and largely effective, the efficiency rated somewhat lower, particularly due to the difficulty working with the RCCs, which led to frequent delays in programming while necessary arrangements, including Subsidiary Loan Agreements with the RCCs, were put in place. The resistance by many PMOs to that policy also affected the speed with which projects could be launched. The Wulin Mountains Minority-Areas Development Project is an extreme example of this

situation, as the entire project had to be put on hold due to inability to reach agreement on the cooperation with RCCs. While there is a good rationale for working with the RCCs, these difficulties in implementing this approach created inefficiencies.

6. In terms of project management and institutional strengthening, the 1999 COSOP built on the Project Management Office (PMO) and Project Leading Group (PLG) structure that had been developed during previous projects and was recognized explicitly in the COSOP as appropriate and successful. The COSOP wisely stressed the importance of further incorporating participatory processes into that management structure, through the drafting of the village development plans (VDPs) in participatory ways. This promotion of bottom-up inputs into village activities were one of the most important elements of the IFAD programme throughout the period under review, and has been highly relevant to China's own efforts to shift away from the top-down management approaches of the planned economy era.

7. In general, the strategy of this COSOP was based on a thoughtful extension of work and approaches that had already been developed in previous projects. As rural poverty was still widespread during at that time, and given the fiscal constraints, building on previous work and extending roughly similar efforts to a series of new rural sites was a suitable and effective approach.

B. 2005 COSOP

8. The second China COSOP was formulated under different conditions with five years of rapid economic growth, including a notable strengthening of the central government's fiscal position. By 2005 the GOC policy shift toward bridging urban-rural gaps in economic and social development had gained further momentum. Although the integrated village development projects that had been launched under the previous COSOP continued to be successfully implemented during this period, the new COSOP set out to define a new niche for IFAD programs in view of China's changing conditions. The impending end of WFP co-financing, and even more, the impending graduation of China from fully concessional lending to moderately concessional terms, both created further impetus for a redefinition of IFAD's role. This is not easy to do, especially given the successful record of the previous, more traditional programmes.

9. The 2005 COSOP acknowledged the need to reshape IFAD's role in China, while building on past successes in rural poverty alleviation. Toward that end it presented two strategic thrusts for its new strategy; *access and innovation*. These were consistent both with Chinese needs and with IFAD's global strategy. It further identified a number of priority sectors as opportunities for new programming, which it said would be a series of pilot sector programmes; particularly, strategy design (support to the GOC in formulating and adjusting its rural poverty alleviation strategies); microfinance and microenterprise development; organic farming; support for greater market access for the poor; mainstreaming gender equality; technology transfer through piloting application of Ministry of Science and Technology's (MOST's) technical envoy approach to agricultural extension services targeting poor households and women; natural resource management, promoting integrated ecosystem management approaches in poor areas.

10. The 2005 COSOP Logical Framework set a hierarchy of goals, objectives and outcomes with quite specific outcomes and milestones. *However*, there are no quantified targets in the COSOP which was in line with procedures at the time. Such concrete targets were expected to be developed through consultations with national partners during the design of individual projects under the COSOP to create greater consensus from the start of those projects. Although setting such concrete targets is challenging it has become even more critical that the project design teams for the projects and program under the new China COSOP engage national counterparts in detailed discussions regarding setting quantitative targets for some key targets to ensure they

contribute satisfactorily to the goal and strategic objectives of the results based COSOP.

11. Three new projects (Xinjiang Uygur Autonomous Region Modular Rural Development Programme (*MRDP*), Inner Mongolia Autonomous Region Rural Advancement Programme (*IMARRAP*), and Dabieshan Area Poverty Reduction Programme (*DAPRP*)) have been designed and launched under the strategic vision of this COSOP. Review of the projects finds a mixed record. Innovative applications of the technical envoy approach to improve access of poor farmers to extension services have been the most successful new effort; all three new projects have included this component and it has achieved notable results. Some of the new priorities – most importantly enhanced market access and organic farming – are incorporated into all project designs but have achieved limited success. Although it is arguable that it is too soon to judge the projects themselves, however given that market access is one of the two strategic thrusts of the COSOP, the current situation merits concern. Microfinance is a component of MRDP and IMARRAP, but has been dropped in the DAPRP. The COSOP emphasized support for RCC reform as a thrust of rural finance activities, however this has not been done in a systematic way. The link in the COSOP between microfinance and microenterprise development has not been realized in the two projects with credit components; microenterprise development has not been a focus in these projects in general, and has not received targeted support from the lending programs.

12. Gender mainstreaming is one of the priority areas in which impressive progress was made, particularly with the implementation of new gender-based M&E systems. The phrase –feminisation of agriculture has been overall a good entry point to promote attitude change even though it may not always reflect actual division of decision-making in agriculture, in all project areas. Under the new modular approach to programming there are cases when gender concerns are handled as a stand-alone module, implemented in partnership with the All China Women's Federation (ACWF). This creates a risk that other modules will not pay sufficient attention to gender mainstreaming, particularly given that the ACWF is more focused on specific women's issues rather than the full mainstreaming agenda. This risk is mitigated by IFAD's consistent and strong emphasis on attitude change through mainstreaming and through the use of the new M&E systems. Some questions exist regarding the value of requesting in the COSOP and in individual projects a long set of gender-disaggregated indicators, instead of a small number of relevant indicators of women's participation, but the effect of reinforcing the importance of gender focus is clear.

13. In the area of natural resource management there is little indication that new programming has made this a higher priority than previously, or introduced any important new concepts or approaches. The planned use of a GEF grant to support such work, highlighted in the COSOP, is now close to realization after long delays, and will require careful attention from all parties to ensure that after the passage of several years its activities are still relevant and appropriate.

14. The dropping of social development in this list of IFAD project priorities, despite good results obtained in this area under the preceding COSOP, reflected a sense that new government policies aimed at improving rural social services would reduce the need for IFAD engagement in these areas. Continuation of this area of work under modified activities aimed at complementing those government initiatives might have been more appropriate, given the inadequacy of social service delivery in poor rural areas throughout the COSOP period.

15. On reviewing the new activities in the area of market access for poor farmers, it is found that results achieved are also not as impressive as were hoped from such a high priority goal. A new partnership strategy that included cooperation with new government and non-government organizations, including enterprises, might have facilitated more progress in access-related activities, as the key issues are outside the responsibilities of

traditional project partners in agriculture agencies.

16. Two key strategic thrusts of the 2005 COSOP are *access and innovation*, but they had not gained much traction to date in new programming. The projects have not developed any clear mechanisms, including needed financing, for the identification and dissemination of innovations either in the work being done by the projects or from outside the projects. While groundwork has been laid for improved knowledge management through new approaches, results are only beginning to be seen. The lack of a vigorous and systematic new approach to knowledge management meant that even when innovation occurred there was no certainty that it would be captured for dissemination. Considerable effort has been put into project management innovation, in particular the new modular approach, however this is unlikely to be the sort of substantive innovation the COSOP envisioned.

17. Much good work has been done in projects during the 2005 COSOP period, but most of the positive results were achieved through continuation of practices from the previous period; participatory approaches, gender mainstreaming and support for agricultural production, especially. As China graduates to ordinary lending terms and continues to develop its own capacity to deal with its poverty problems, new approaches and a new niche for IFAD are urgently needed. The 2005 COSOP was right to anticipate this need, but may not have done enough to meet it. Even though one should not underestimate the difficulty of such a shift, which requires sustained effort and close partnerships; first steps have been taken but more effort is needed still, and some adjustments.

18. The China COSOP is rated *satisfactory* in terms of relevance, with a rating of 5, because the focus on integrated approaches to addressing the root causes of rural poverty, and the targeting of poor and women, have been closely aligned throughout this period with government policy, with the needs of China's rural poor and with IFAD's global agenda. However, relevance could slip if IFAD does not continue to adapt to China's needs under the new 2011-2015 COSOP under preparation. Effectiveness is also rated *satisfactory*, based on the programme's strong record in achieving goals in poverty reduction, although it has more modest achievements in institutional strengthening and policy reform. Even though the focus of the 2005 COSOP on innovation had met a number of difficult challenges, it was relevant and yielded a number of innovative practices that were introduced during project implementation. However, there needs to be a more systematic approach to capturing and disseminating innovations, and identifying the most relevant international practices for introduction in the China country programme. The overall combined ranking of the COSOPs, with a higher weighting given to the 2005 COSOP period is 5, *satisfactory* as shown in Table 1.

| Table 1: COSOP Performance | |
|-----------------------------------|---------------|
| Criterion | Rating |
| Relevance | 5 |
| Effectiveness | 5 |
| Innovation | 5 |
| Overall | 5 |

Key Points – Portfolio Performance

- (a) IFAD's portfolio has been rated as satisfactory overall.
- (b) The projects have been relevant to the needs of the target group and effective in attaining targets set.
- (c) The portfolio has been efficient overall, despite some delays in project launch and difficulties experienced in funds flows.
- (d) Rural poverty impact has been substantial in terms of increasing income and

- assets and improving food security and agriculture productivity.
- (e) Impact on social and human capital and empowerment and institutions could be stronger.
 - (f) There is a satisfactory level of sustainability for impact achieved.
 - (g) The level of innovation, replication and scaling up envisaged by the 2005 COSOP could have been improved.
 - (h) The partnerships achieved through portfolio implementation have been positive although more consideration could have been given to appropriate mechanisms for partnership with the ACWF and the RCCs.
 - (i) Non-lending activities such as policy dialogue, knowledge management and use of grants could be improved.

Indicative Project Pipeline during the COSOP period

1. The China 2011-2015 COSOP straddles two cycles of IFAD's performance-based allocation system (PBAS), namely the current 2010-2012 cycle and the succeeding one of 2013-2015. The exact allocations under the latter cycle is not yet known. However, assuming the same level of average annual PBAS allocation as for the current cycle, which amounts to USD 141 million, then the projected allocation for the 5 years (2011-2015) of the COSOP period shall be at least USD 281 million. The resources under the current cycle have already been allocated equally (USD 47 million each) between one project for the Guangxi, Hunan, and Yunnan Provinces. The expected resources for the next cycle will be allocated to another three or so projects, depending on the conclusions of ongoing IFAD09 replenishment negotiations. During the stakeholder consultations, agreement was reached on the broad outlines of the six project/programme proposals as follows:
 - (a) Project No. 1: Guangxi Integrated Agricultural Development Project (see below);
 - (b) Project No. 2: Hunan Agricultural and Rural Infrastructure Improvement Project (see below) ;
 - (c) Project No. 3: Yunnan Agricultural and Rural Infrastructure Improvement Project (see below) ;
 - (d) Project No. 4: Exact title will be developed as shown below;
 - (e) Project No. 5: Exact title to be developed as shown below
 - (f) Project No. 6: Exact title will be developed as shown below.
2. To ensure a more effective linkage between grant-funded activities and IFAD's lending program IFAD will only support grant-funded operations in line with the objectives of the COSOP. Some activities that could be supported, thus, with grant resources include: (a) strengthening of existing efforts towards south-south cooperation and knowledge sharing; (b) piloting, and the facilitating of the subsequent scaling up of some innovative poverty alleviation best practices; (c) developing and piloting rural renewable energy technologies and techniques; (d) investigations into the potential for value addition of some niche agricultural produce and products in the food chain (e. g. root and tuber crops and their products); and (e) adaptation to, and mitigation of, climate change.
3. The indicative projects agreed upon during the consultative process, but which will be subsequent subjected to further fine tuning, are described briefly below.

**Project No.1: Guangxi Integrated Agricultural Development Project (GIADP)
(Concept Note submitted and approved on 1 July 2010 under the 2006-2010
COSOP and the Project is under detailed design)**

Background

The International Fund for Agricultural Development (IFAD) fielded a fact finding mission to Guangxi Zhuang Autonomous Region (GZAR) of the People's Republic of China during January 16-26, 2011. The mission was to further analyse the appropriateness of the newly-proposed counties/townships for the Guangxi Integrated Agricultural Development Project and develop an outline of project activities for helping assigning a right set of expertise and tasks for the coming design mission. The project was originally named as Guangxi Zou-You River Watershed Rural Development Project and its concept for design was approved by IFAD in June 2010. An IFAD design mission was sent to GZAR to develop the project proposal prepared by the Government in August 2010, but the mission was halt in its half-way due to unexpected directions. Since some changes in terms of selection of project counties/townships and project activities have been proposed by the Government. The proposed project will be the first one under the new COSOP (2010).

A. Strategic context and rationale for IFAD involvement, commitment and partnership

Macro-Economic Performance. China has been experiencing an impressive economic expansion since 1978. About 10% annual real growth of GDP was recorded continuously for more than 10 years up to 2007 and an 8.7% increase of GDP was achieved in 2009 against the challenge of the worldwide financial crisis started in 2008.

Regional Disparity. The economic growth has been far more rapid in the eastern coastal provinces, with western provinces/regions lagging behind, causing an ever widening gap in income between regions, as well as in cities and rural areas. Average rural per capita annual net income for provinces in the east is nearly two times that of provinces/regions in the west, about CNY 6598 vs. CNY 3517 in 2008. The widening disparity is a concern of government who has developed a range of policy responses.

Poverty in China. China has been recognized for its unparalleled achievements in poverty reduction. Using the austere official poverty lines⁵, the number of poor fell from about 250 million in 1978 to about 36 million in 2009. The poor in China are predominantly in rural areas. The decline of rural poverty has been equally impressive, falling from 30.7% to 5%. The rural poor are concentrated in the western provinces and in minority-inhabited, remote and mountainous areas. In 2009, the *poverty line* stood at per capita annual net income of less than CNY 1196 (ca. USD 180 or USD 0.5 / day). The criteria of the population group living just above the poverty line, i.e. the *vulnerable* people, is defined by local governments along local economic conditions.

Guangxi Zhuang Autonomous Region (GZAR or Guangxi) is located in the western part of China. Home of about 50 million people, the ethnic minority population represents about 38%, whilst the Han Chinese accounts for some 62% of Guangxi's population. About 61% of the population resides in rural areas. The GNI per capita stands at about USD 2430 in 2009, which position Guangxi among the poorest of the 31 provinces/regions in China. Incidence of rural poverty stood at about 9% in 2009.

IFAD country program in China - Lessons learnt. Since 1981, IFAD has financed 23 projects worth some USD 590 millions in loans for rural poverty reduction in China. Project interventions supported agriculture, livestock, forestry, fishery, health, education, gender mainstreaming, financial services, market access and environmental

⁵ Per capita annual net income required to procure a minimum diet and non-food items, which was set at CNY 206 in 1985 and then updated several times in line with the economic development and prices inflation, CNY 668 in 2004, CNY 683 in 2005, CNY 693 in 2006 and CNY 1196 in 2008 as poverty line for the rural population.

conservation. Project evaluations and project completion reports suggested a good performance in terms of the project's achieving their rural development and poverty reduction objectives. The ongoing Country Program Review⁶ will generate lessons learnt for a policy dialogue and the new COSOP with China.

In 2009, the evaluation of the West Guangxi Poverty Alleviation Project (WGPAP)⁷ confirmed that some 51 000 households were lifted out of poverty, together with a dramatic drop of 48% among very poor households. The main lessons can be summarised as follows: (i) The collaboration between IFAD, GOC and WFP was effective. The WFP's food for training and food for works, GOC financial contributions for infrastructure together with IFAD funds for microfinance development were highly complementary and thus, they generated a deep impact. (ii) The chosen integrated rural development approach that encompassed agricultural development, local infrastructure, environment, social and economic empowerment of women and access to credit, addressed efficiently the striking development constraints. (iii) The widespread introduction of biogas addressed the energy constraints, generated environmental benefits and, together with the access to training and microcredit, it empowered women economically and socially. (iv) Investments in land improvement, rural infrastructure and diversification in agricultural production systems enhanced resilience against external shocks, including anticipated fallouts from climate change. (v) The full integration of WGPAP in the local government structures assured sustainability.

B. Possible geographic area of intervention and target groups

The project area. An IFAD funded project is proposed as follow-on project of the WGPAP. The new project will cover about 39 poor townships located in 7 counties of Guangxi province. Average poverty incidence in the 39 townships was about 10% in 2009. The vulnerable rural population with an annual per capita net income between CNY 1197 and CNY 3000 accounts for about 59% of the total population. The project will mainly target the *poor and vulnerable* rural population, both groups count for 69 % of the total population.

The project area has the common characteristics of a poverty region in Guangxi. For many generations, farmers have been relying on the limited area of farmland and holding of few animals. The main causes for poverty include: (i) small land holdings, averaging about 0.07 ha per capita. (ii) Very limited access capital for initiating income generation activities. (iii) Poor infrastructure, especially regarding irrigation facilities. (iv) lack of access to markets and information, especially in remote areas. (v) Low capacity of farmers due to limited knowledge and scarce access to agricultural technology. (vi) Natural calamities, such as drought and flood, occur almost annually.

The targeting strategy of the project will be inclusive with regard to community wealth building in the selected poor villages. Participatory planning will promote community-based activities to ensure that project activities address the needs of poor and vulnerable households. The project design will tailor activities to the capability of women to ensure that the project prioritizes women as main beneficiaries.

C. Justification and rationale

China expects that IFAD would continue to bring conceptual inputs and experience in terms of innovative approaches for poverty reduction from projects outside the country alongside additional financial resources. IFAD rationale is to add value to government projects by helping develop innovative and more effective approaches for scaling-up. The project would therefore undertake pilot activities in improvement of community-level infrastructure, farmers' access to technical services, development of niche and high-valued agro-products, establishment of information service network, improvement of market access through the support to farmer cooperatives and the improvement of the

⁶ The report of the Country Program Review will be finalised at a National Workshop on 21 September 2010.

⁷ West Guangxi Poverty Alleviation Project – Project Completion Evaluation Report. IFAD Office of Evaluation,

rural environment.

D. Key Project Objectives

The project goal is to develop successful innovative pilot approaches for rural development in poverty stricken areas and for scaling-up in other poor areas by government and other donors.

The specific objective is to increase revenues from agricultural production in selected poor counties of Guangxi through improved access to productive assets, technology and information services. The project will demonstrate its success through the following indicators: (i) scaled-up innovative approaches for rural enhancement; ii) improved access of poor men and women to community assets, markets, information and technology; iii) improved household asset ownership; and iv) socially and economically empowered women and ethnic minorities.

E. Ownership, Harmonization and Alignment

The Ministry of Finance has expressed a strong demand for IFAD to continue its support to its poverty reduction programs. A Minutes of Fact Finding Mission, supplementary to the previously-signed Memorandum of Understanding, was signed with the Guangxi authorities to confirm the findings leading to this concept note and to ensure full alignment with current policies and other programs.

F. Components and activities

All community-level activities would be decided and implemented following highly decentralised participatory approaches, with emphasis on the full inclusion of poor households and women. A modular approach will be considered to facilitate scaling-up.

Community Infrastructure Development

Irrigation facilities. The selected 39 townships possess a total area of 92,696 ha farmland, of which about 31 % are effectively irrigated. Climatic calamities have become a major constraint to sustainable crop production, which is the key agricultural activity in the project area. Support to the development of irrigation would therefore be one of the key elements to adapt to climatic variability and to create the prerequisites for diversification of agricultural production and reduction of risks.

Village roads. Poor technical capacity and lack of market information have been cited by farmers as main constraints to enhancing agricultural productivity. Some 4962 natural villages do not have appropriate access to the main road network; consequently farmers living in those areas have difficult access to markets, information and technical services and initiating income generation activities. The project will support the building of village roads to connect to the main road network.

Safe drinking water supply. Inhabitants in about 5489 villages in the selected project townships have limited access to safe drinking water, particularly during drought seasons. The project support will include the construction of community safe drinking water supply systems in order to improve the living conditions of the target group.

Agricultural Production and Marketing Support

Technical extension to farmers is functioning inadequately. The current institutional set up of the agricultural extension system is seen as inefficient in terms of financial and human resources. The project would support the enhancement of agricultural extension services. Experimentation and demonstration of modern farming technology and the introduction of improved varieties and breeds, matched with appropriate beneficiary training, will be the main approaches.

Development of niche agro-products. Farmers will be assisted in accessing new, remunerative opportunities for commercialising their farm production. The project will promote the development of niche agro-products through providing economic tree

seedlings and improved crop seeds to farmers.

Soil and water conservation. Farming on slope land has shown low productivity and to some extent has resulted in soil and water erosion. The project will be supporting sustainable water and soil conservation measures in suitable areas, such as land levelling and terracing.

Information services. The project will promote the establishment of an internet network in selected townships and villages to improve farmers' access to updated information in production and marketing.

Support to farmer cooperatives. The project will support the establishing of new and strengthening of existing self-managed farmers' cooperatives. Poor, smallholder farmers will be linked with premium markets through boosting the product quality and enhance the connectivity with the relevant value chain. Project support will focus on improving the service capabilities of cooperatives, including the development of contract agriculture and the transformation of conventional practices to remunerative crop and livestock production.

Rural Environment Improvement

This component is to improve overall the environment and specifically the sanitation of the village communities. The activities would promote the sustainable treatment of sewage and garbage as well as the development of biogas systems in poor villages. The component would pilot the expansion of similar government programs to village communities.

Project Management

Project support under this component would include, among others, the provision of equipment and facilities for management purpose, and costs for M&E, knowledge management, capacity building for management staff and office operations.

G. Costs and financing

The total project costs are estimated to be up to USD 94 million, of which an IFAD loan of about USD 47 million would be requested. The loan will be provided to P.R. China at Ordinary Terms., i.e. at a variable interest rate established annually by IFAD, with a maturity period of eighteen (18) years including a grace period of three (3) years. The loan will be passed on from the Ministry of Finance (MOF) to Guangxi and, through the financial bureaux, finally to the County Project Management Offices (PMOs) and to implementation agencies according to the approved Annual Work Plan and Budget. In the process, no additional charges will be added to the IFAD loan terms and conditions. The IFAD loan funds will be repaid by the local Governments and under no circumstances will the implementing agencies, households and beneficiaries be required to repay the loan, except for special cases, if any, specified by IFAD. The government will provide financial resources from various channels as counterpart funds in a ratio of about 1:1 (IFAD : PR China).

H. Organization and management

The project will be implemented over five years. The Department of Finance (DOF) in Guangxi will be responsible for the administration of project funds. The project implementation will be the responsibility of the PMO in the Department of Agriculture (DOA) of Guangxi. Technical implementation would be delegated to relevant technical agencies at county and township levels. At village level, a Village Implementation Group would be established to ensure appropriate targeting, participatory planning, implementation and monitoring as well as maintenance of village-based project outputs.

I. Monitoring and Evaluation indicators

The COSOP (2010) highlights IFAD's role for piloting innovative approaches poverty reduction, which are expected to be scaled up by government or other donors. Thus, the

project M&E system will include quantifiable targets e.g. increased asset ownership of households and adoption rates of technology to identify the potential for scaling up.

J. Risks

Innovations. Innovations are key elements in the IFAD country project. Project resources would be used to allow scouting for, testing and scaling-up of innovative solutions to poverty reduction and rural development.

Environmental Risks. The project is located in the mountainous and hilly *karst* area. Drought and floods have frequently occurred and impacted negatively on rural livelihoods. The project will respond to the challenge through a balanced mix of adaptive and mitigating measures, rendering the rural environment more adapted to climate related adverse effects.

K. Timing

The following timing has been proposed:

- Project Design: March/April 2011
- Quality Enhancement Review: 20-24 June 2011
- Project Final Design: July/August 2011
- Quality Assurance Review: 22 September – 7 October 2011
- Loan negotiation: November 2011
- IFAD Executive Board approval: December 2011

L. Outstanding issues

The Chinese government may pursue a discussion on its recent change from intermediate to ordinary lending terms.

In consultations the Chinese government suggested aligning the grace period of the loan (3 years) with the implementation period (5 years). It would facilitate the implementation if the loan repayments started after project closing.

- **Project No. 2: Hunan Agricultural and Rural Infrastructure Improvement Project (HARIIP)**

(In line with the COSOP guidelines this project will enter the pipeline with the present COSOP)

- **A. Possible Geographic Area of Intervention and Target Groups**

The project area covers 95 poor townships of 9 counties, namely, Lingxiang and Yueyang in Yueyang City, Taoyuan in Changde City, Shaodong in Shaoyang City, Jinzhou in Huaihua City, Longshan, Fenghuang, Luxi and Guzhang in Xiangxi Autonomous Prefecture. (Below map for project counties). Out of total 161 townships in 9 counties, 97 are ethnic townships and account for 60.2% of the total, there are 5 ethnic autonomous counties (Jinzhou, Longshan, Fenghuang, Luxi and Guzhang) and 4 national poor counties (Longshan, Fenghuang, Luxi and Guzhang). The total area of 9 counties is 20,647.7 square km., the total population is 5.1 million with population density 247 persons/ square km. Some project counties are located in plains and lake area, some are in hilly area, some counties are poor counties and some counties are less developed counties, and imbalanced development exists among these counties, some townships already cast off poverty but lacking development momentum. The disasters always cause farmers to become poor again.

Project beneficiaries are poor farmer households and farmer households who just cast off poverty in 95 townships, especially ethnic population and women.

A. Justifications and Rationale

Situations and constrains in project area. All project counties are located in the less developed middle and west parts of Hunan province, in 4 national poor counties, the farmers average net income per capita is just over 2,000 Yuan, for the 1/3 of all townships in the remaining 5 counties, the farmers average net income per capita is around 3,000 Yuan, both lower the provincial level 5,000 Yuan. Most farmer households still use fuel wood for cooking and rain water as drinking water, which is not safe, some remote administrative villages do not have road, some have road but not open to traffic in all weather, which cause incontinent transportation of farmers and commodities, farmers have poor livelihood, major constrains for low development level, a. resources constrains and limited arable land and water resources. The average arable land per capita in the project area is only 0.6 mu, lower than provincial average level 0.8 mu, most counties lack water. b. Field water conservancy weak. Due to insufficient input, most water conservancy facilities such as ponds, canals, pump stations and etc are old aged, silted up or damaged, which caused low utilization co efficiency of irrigation water (less than 40%), the total irrigation area is constantly decreasing (less than 50%), needless to say the construction of new facilities, all these seriously effect the agriculture production. c. the natural disasters are common and the resistance capacity are far from enough, agricultural production are always affected by floods and droughts, the yield cannot reach the normal level, in the case of serious disasters, the yield decreased huge even has no yield at all, which affect farmers' income. d. The overall quality such as knowledge, science and technology of farmers is low, most project areas belong to marginal hilly area, high proportion of ethnic people (over 60%), low education level and less 20% of all farmers received senior middle school education, incontinent transportation and less training opportunities, they have less communication with outside world and limited information, new technologies and new varieties are not popular, the production and management skills of farmers are low, and their economic situation improves slowly.

Development opportunities and project advantages. a. National policy support. In recent years, the No.1 document of CPC and 12th 5 years plan give the priority to the

development of agriculture, countryside and farmers, the national poverty alleviation policy always support poor areas, some project counties in Hunan province belong to national drive for western development, Hunan province is also the key area to implement the national strategy of middle area take-off. b. The policy in Hunan pays attention to the rural development .In recent years, as a major agricultural province, CPC Hunan Provincial Committee and Hunan Provincial Government raised the strategy to speed up new rural development, to implement the integrated treatment of field, water, road, forest, and village. To strengthen the construction of village road, safe drinking water, grid, communication, information, biogas and other infrastructure sectors, to balance the urban and rural development in a gradual manner, to give the priority to balancing urban and rural development, improving rural living and working conditions, raising farmers income and living quality. c. The agricultural production in each project county has its characteristics and development, each county has its unique product, such as kiwi fruit in Fenghuang county, tea in Guzhang county, citrus in Luxi county, red berry in Jinzhou county, Chinese lily in Longshan county, the production of these products will have a good economic return if adequate assistance is available. d. High enthusiastic of leaders in project counties government and farmers, in order to achieve development and shake poverty, the government tries to win funds and project, farmers are eager to improve their living and production conditions, all these pave the way for future project execution. e. Some project counties have execution experience of IFAD project, 4 counties have executed an IFAD' integrated agricultural development project in Wuling Mountainous Minorities Area, the project not only achieved benefits but also accumulated experience which may be applied in the new IFAD project. f. IFAD's principle is in line with the needs of the project areas, IFAD is devoted to apply successful rural development experience and rural poverty alleviation measures which produce good global impact, IFAD's project strategy and funds are needed in poverty alleviation of poor areas in Hunan province, the execution of an IFAD project will promote the social and economic development in project areas and especially improve the livelihoods of the poor.

B. Key Project Objectives

The main objective of the project is to help beneficiaries cast off poverty and increase their income by the application of the successful rural development experience and poverty alleviation measures. a. The execution of this project will strengthen the infrastructure development, the project will establish 625 km of village road, 72 rural drinking water facilities, 180 field irrigation facilities, 108 pump well and irrigation facilities in order to improve the agricultural integrated production capacity and disasters resistance capacity, b. The project will ameliorate the living and production conditions and raise the live hood of farmers in poor areas and ethnic areas, the project will construct 5,600 solar energy hot water heaters, 18,000 household biogas pits with the improvements of animal shed, toilet and kitchen, improve the production system with regard to the utilization of biogas liquid and residue, and improve rural sanitary conditions, dwelling and production environment, promote the new rural development of resources saving and environment friendly. c. It will also strengthen the grassroots agricultural technology service system development, support to establish the marketing system for local agricultural products, it will improve the efficiency of technical extension and broaden the channels of marketing, help women play their roles in agricultural production and marketing, promote the industrial development of agricultural production, improve the farmers capacity to resist marketing risks, and achieve social and economic sustainable development. d. Benefits of the target group. After the completion of the project, 232,000 farmer households will obtain the project benefits and 108,000 farmer households will shake off poverty, the project will provide 84,300 job opportunities to farmers in the project areas. e. The project execution will speed up the extension of advanced agricultural sciences and technologies and the improvement of farmers. Over 150,000 farmers will receive all kinds of skills training. The training activities and assistance to farmers' cooperatives will raise the level of new technologies application,

which will help to increase the farmers' income and governmental revenue.

This project will summarize the brand new concept of poverty alleviation by infrastructure development, a replicable model will be formulated and popularized to other poor areas, more farmers will shake off poverty and become well off.

C. Ownership, Harmonization and Alignment

While project objectives achieved, the project area will shake off poverty and become the well-off socialism new rural area, which is the same IFAD goal of poverty alleviation, promotion of rural sustainable development and poverty eradication.

This project is an independent poverty alleviation project and it will be integrated with other domestic funds such as poverty alleviation, water conservancy, road construction, and energy development aiming to maximizing IFAD project benefits. At the same time, the project will try to win other organizations such as CDM, UNDP and etc to provide funds, IFAD' funds and domestic funds will mainly support production and construction, other funds will support technical consultation, research, training and etc.

D. Components and Activities

The project covers 4 components, a. rural infrastructure development, main activities are village drinking water facilities, field irrigation constructions, pump well drinking water and irrigation facilities and village road construction, 48% of the total investment. b. Rural energy development and environmental improvement, main activities are construction and improvement of bio-gas pits, animal shed, toilet and kitchen, utilization of biogas liquid and residue, installation of solar energy hot water heater, 15% of the total investment. c. Special products industry development and marketing, 30% of the total investment. d. Service system development and project management. To strengthen and improve the existing rural energy and agricultural production extension service, to strengthen the training over project management staff and beneficiaries (especially ethnic group and women) in the fields of skills, management, marketing and etc, 7% of the total investment.

E. Costs and Financing

The total project investment is 635.862 million Yuan, of which IFAD loan 47 million USD (the exchange rate between USD and Yuan is 6.7, 47 million USD equivalent to 31.49 million Yuan), accounts for 49.5% of the total, domestic counterpart fund 320.962 million Yuan, accounts for 50.5% of the total, the domestic funds refer to governmental counterpart funds at all levels and funds raised by farmers, of which governmental counterpart funds at all levels 227.883 million Yuan, accounts for 35.8% of the total, funds raised by farmers 93.079 million Yuan, accounts for 14.6% of the total. Out of the governmental counterpart funds at all levels, over 70% of the total from the governmental financial sectors at provincial, city and prefecture levels. It is suggested that IFAD provide the grant aiming to reduce the burden of farmers and government.

F. Organization and management

To establish project leading groups at provincial level and county level and provide overall guidance and coordinate project execution. The members of the leading group groups are responsible persons from Development and Reform Commission, Agricultural Bureau, Agricultural Office, Water Conservancy Bureau, Forestry Bureau, Transportation Bureau, Environmental Protection Bureau, Audit Bureau, Ethnic Affairs Commission, Women Federation and etc, the head of the group is the responsible person from the government. The duties of the group are to provide overall guidance in the field of policy, project execution, coordination and etc, supervise the project execution, check and

approve project plan, arrange counterpart funds, coordinate relations among different bureaus, solve the problems and difficulties encountered in project execution. Now the project leading groups are established at all levels.

To establish the project management offices at provincial, county and township levels. Hunan Provincial PMO is the permanent institution. 4 county PMOs are permanent institutions (foreign capital and assistance offices), 5 county PMOs are temporary institutions and are located in the county agricultural bureaus, and members are from the agricultural bureaus. The provincial PMO is responsible for project guidance, management and coordination of project execution; the county PMO is responsible for overall project execution. The duties of the PMOs are project initial preparation, formulation of project management regulations, project overall plan and annual execution plan, coordination, statements, project construction execution, M&E, technical and management training, project loan and domestic funds management, funds disbursement and etc. The county PMOs are responsible for the execution of all concrete activities. The township PMOs are located in the township government and their members are from the township government, the township PMOs will assist the project village to carry out project activities.

G. Monitoring and Evaluation indicators

Monitoring and evaluation will adopt IFAD 1-2-3 grade indicators and borrow relevant concepts from World Bank and Asian Development Bank, the base line survey will be carried out according to the IFAD' method in the project design, an expert will be recruited to provide guidance over the monitoring and evaluation. It is suggested that the cost of the monitoring and evaluation be covered by IFAD' grant.

H. Risks

The project will face the following risks: (a) Investment risk, the project will be involved in several aspects of agricultural production, broad investment and many implementing agencies, long period of recovery; (b) Technical risk, there are many technical tasks in the project execution and management, therefore the project construction should strictly follow the technical standards and procedures and pay attention to the quality, technical guidance and training should be strengthened in cropping and husbandry; (c) Natural risk, agricultural production has natural risk. And (d) Marketing risk, marketing fluctuation may bring potential risk to the project farmer's household.

I. Timing

The following timing has been agreed between IFAD, and both the Central and Hunan Provincial Governments during the COSOP consultations:

- February-June 2011: Inception of the project as part of the COSOP consultations;
- June-July 2011: Detailed Design Mission;
- 19-23 September 2011: Quality Enhancement Review;
- October-December 2011: Design Completion Mission and baseline mission;
- Week of 18 January 2012: Quality Assurance Review;
- Week of 12 March 2012: Loan negotiation
- 11-12 April 2012: Presentation to the IFAD Executive Board for approval.

J. Provincial Project Management Team

While in project preparation and execution, PMOs are established in agricultural authorities at provincial, prefecture and county levels and PMOs are responsible for project management, financial authorities are responsible for project funds on lending, project special account will be established in provincial financial department who will on-lend the funds to the county PMO through county financial bureau, the county PMO will further on-lend the funds to project farmers households. The Provincial PMO is established at the Centre for Foreign Economic and Technical Cooperation, Hunan Provincial Department of Agriculture. The Centre is a governmental institution engaged in the management of foreign capital project, the staff of the Centre is 25, 10 persons have senior technical title and 14 have over 10 years working experience of foreign capital project management.

Project No. 3: Yunnan Agricultural and Rural Infrastructure Improvement Project (YARIIP);

A. Background

Yunnan is situated close to the southwest border of China, with a total land of 394,000 sq. km among which 94% is mountain area. 26 ethnic people including Han, Yi, Bai, Zhuang, Miao and Dai have been living in this area for centuries. Up to now it maintains a total population of 45.43 million people, of which over 80% lives in rural areas, and 32% is ethnic minorities. Generally, Yunnan is a typical poor province integrated with the features of border location, ethnic population, mountain area, and poverty.

Due to natural and historical reasons, Yunnan has not got rid of the situation with a wide group of poor population who are in deep poverty and having great difficulties to reduce poverty. Referring to the annual net income per capita 1196 Yuan as a standard of poverty, it still keeps a poor population of 5.25 million people that takes 13.9% of the total poor population of China. In this aspect, Yunnan ranks the second through the whole country; particularly, there are 1.6 million people are still stuck in deep poverty (with an average net income per capita 785 Yuan). In addition, Yunnan takes another number one in China because of the 73 national verified poor counties. Most of those counties share the features of ethnic population, mountain area, border location, and poverty, and also have very bad ecological environment, poor agricultural and rural infrastructure, backward social economic development, and outstanding livelihood issues. Thus, it is one of the key tasks for realizing scientific development in Yunnan by accelerating poverty eradication.

With the loan to be supplied by IFAD, the Project is aimed at conducting integrated agricultural development in the mid of Yunnan as well as the prefectures (cities) along the border; on the other hand, besides the support of foreign funds, the Project will actively learn the agricultural development experience from international development organizations, especially in the field of anti-poverty, in order to improve production, living conditions and ecological environment of the project areas, to enhance the quality of the poor population in the area, to increase income of the rural population, and to achieve a sustainable social economic development of the poor areas.

B. Possible Geographic Area of Intervention and Target Group

Geographically the Project will cover 9 counties allocated in 4 prefectures of Yunnan, including Fuyuan County, Zhanyi County, and Shizong County of Qujing City, Xiping Yi and Dai Autonomous County of Yuxi City, Mangshi City of Dehong Dai and Jinpo Autonomous Prefecture, and Lanping Bai and Pumi Autonomous County, Fugong County, Gongshan Dulong and Nu Autonomous County, and Lushui County of Nujiang Lisu Autonomous Prefecture. Totally the intervention of the Project will reach 2.7004 million people who are residing at 850 village committees under 69 townships.

The Project mainly covers 9 counties of 4 prefectures (among those counties 5 are the key counties under the national poverty alleviation development scheme: Fuyuan County, Lanping County, Fugong County, Gongshan County, and Lushui County) where the total poor populations sums to 0.3066 million (whose average net income per capita is less than 1196 Yuan); ethnic minority population takes two thirds of the project beneficiaries.

Although a considerable development has been achieved in agriculture and rural areas of Yunnan, it is still facing the unfavorable conditions of poor agricultural and rural infrastructure, insufficient investment and weak technical support for agricultural and rural development, unpleasant exploration of agricultural products, very low industrialized agricultural operation, inconspicuous scale effect and local brands, and that a lot of villages are in deep poverty. Moreover, the difference is becoming bigger and bigger between the average net income per capita in Yunnan particularly in the above mentioned project areas and that of China, and the same thing is happening to the gap between the per capita disposable income of the rural and that of the urban residents. Poverty has been mainly caused by the following factors:

- Extremely bad natural environment: more than 85% of the land is mountain area,
- Poor infrastructures for transportation, communications, and agricultural irrigation works,
- Laggard rural public service, and,
- Increasing conflict between the constant rapid economic development and the rural living environment and conditions, and use of resources.

Therefore, Yunnan is facing an extremely tough task to eradicate poverty and implement new countryside construction.

Traditional agriculture is the dominant in the project intervened areas, including: Yuxi City and Qujing City are the major areas of Yunnan with modern agricultural development, Dehong and Nujiang are frontier ethnic autonomous prefectures where traditional agricultural production and economy are the leading factors for the local economy development because of certain historical reasons. Among the 9 project counties, Lanping, Lushui, Fugong, Gongshan of Nujiang Prefecture, and Fuyuan of Qujing are the key counties receiving national aids for poverty eradication; while Xinping of Yuxi is supported with the provincial aids. The Project will put more efforts for the development of the poor townships and villages of the 9 counties, and also more attention to the poor ethnic townships and villages.

C. Strategic context and rationale for IFAD involvement

With the financial support of IFAD, the Project will bring a very important opportunity for Yunnan to learn and take examples from international experience for agricultural and rural development in the process of the project implementation. Particularly, the Project not only covers the remote and poor ethnic areas in Yunnan, but also intervention of the Project reaches the key areas for modern agricultural development. Thus IFAD involvement will benefit in respect of:

- (1) Learning and taking examples from international experience in anti-poverty and rural development in the remote and poor ethnic areas of Yunnan;
- (2) Providing more valuable experience and cases related to poverty eradication and rural development in ethnic minority areas, and promoting innovative mechanism and modes for poverty eradication and rural development in the remote and poor ethnic areas by implementing the Project in the intervened areas where ethnic minority residents are allocated including Yi, Dai, Bai, Jinpo, Lisu, Nu, Pumi, and Dulong people;

- (3) Alleviating the problem concerning the insufficient financial support for rural and agricultural development, enhancing agricultural development in the project areas, substantially increasing the income of poor rural households, and protecting ecological environment while greatly improving the agricultural and rural infrastructure, and pushing for a sustainable development in the remote and poor ethnic minority areas of Yunnan with the support of IFAD loans; and,
- (4) Promoting communications between the project areas as well as among the involved ethnic minorities, so as to benefit the harmonious development of the project areas during the implementation of the Project with the involvement of IFAD in the intervened areas where the local development is different and diversified.

D. Key Project Objectives

The Project is a critical part of Agricultural Development Strategy Action Plan of Yunnan Province.

The key objectives of the Project are:

- (1) due to the implementation of the Project, learning and taking examples from international experience in anti-poverty and rural development in the remote and poor ethnic areas of Yunnan, and promoting innovative mechanism and modes for poverty eradication and rural development in the remote and poor ethnic areas;
- (2) due to the implementation of the Project, reinforcing infrastructure development in the remote and poor ethnic areas, improving rural production and living conditions, expediting agricultural technique promotion system and mechanism, empowering the rural residents to achieve higher incomes and effectively take advantage of the improved agricultural and rural infrastructure, and increasing the self-development opportunities for rural households in the remote and poor ethnic areas based on the integrated rural development.

Specific objectives:

| Components | | Specific objectives | Major indicators |
|----------------------------|----------------------------|---|--|
| Small infrastructure works | Rural roads | By renovation and construction of roads between and inside the villages, to improve the access to the rural communities in the project areas, and to enhance the comprehensive service of the rural roads for the development of new countryside construction | 45km long Grade IV asphalt roads for construction; 47.5km long village roads for renovation; and, 2.55 million sqm roads for hardening |
| | Farmland improvement works | <ul style="list-style-type: none"> to optimize industrial structure in the project areas where agriculture has been relatively boosted, in order to set up examples²⁵ for the neighbouring areas to | 70000 mu of land for improvement of medium and low yield farmland; 894km new irrigation channel in-between the farmland and main channel to be built; |

| | | | |
|---|-------------------------------|---|--|
| | | <p>develop modern agriculture</p> <ul style="list-style-type: none"> ● to improve agricultural production conditions in the poor and ethnic minority project areas, and to cultivate local advantage business in order to help the rural residents to achieve higher incomes | <p>104km pipeline to be installed;</p> <p>130.2km access for farm machinery to be constructed; and,</p> <p>1200 water pools to be built</p> |
| | Small water conservancy works | To improve irrigation conditions in the project areas, and to guarantee safe drinking water supply for people and livestock | 1.8 million cubic meter capacity of reservoir to be newly built |
| Safe drinking water supply for countryside / rural sanitation and environmental improvement | | <ul style="list-style-type: none"> ● to provide sanitary and safe drinking water for rural residents and livestock ● to improve sanitation conditions of the villages, to build a healthy living environment, and to accelerate the construction of new countryside | <p>18000 rural residents to be supplied with safe drinking water; and,</p> <p>300 public toilets and 666 waste treatment pools to be constructed</p> |
| Spread of agricultural technology | | <ul style="list-style-type: none"> ● to cultivate and provide good seed strains of corn for the development of modern agriculture ● to enhance the production and living skills and quality of the rural residents as well as those of the communities | <p>7000 mu of breeding and demonstration base to be built; and,</p> <p>9000 sqm of agricultural technology learning room to be constructed</p> |
| Community capacity building | | <ul style="list-style-type: none"> ● trainings for rural households ● village level exchange and visits | |
| Institutional capacity building | | <ul style="list-style-type: none"> ● to set up provincial, prefectural, and county level PMOs ● to improve capacity of project management staff coming from each | |

| | | |
|--|---|--|
| | level of PMOs by trainings <ul style="list-style-type: none"> ● to establish and operate the monitoring and management system of the Project | |
|--|---|--|

E. Ownership, Harmonization and Alignment

The Project fits the national and provincial strategic programs as well as the local strategic programs of the project areas; in addition, it has been taken as part of the national 12th five-year plan. The implementation of the Project will be helpful for the project activities integrated with governmental projects or policies; for example:

- (1) It will be benefit the participation of the frontier areas into CAFTA (China and ASEN Free Trade Area), in order to expand import and export of advantage agricultural products;
- (2) Further implementation of the national strategy for Grand Western Region Development will be benefit for the project areas to make good use of the favorable policies for agricultural and rural development;
- (3) Great attention of the state to the balanced development of regional economy will be benefit for elaborating the leading and radiation effects of regional economy; and,
- (4) Implementation of the Bridgehead for the Southwest Strategy by Yunnan Province will be benefit for the improvement of rural infrastructure in the project areas, such as rural transportation.

F. Components and Activities

| No. | Component | Activities | Location |
|-----|-------------------------------|---|-------------------------------|
| 1 | Rural roads | 45km long Grade IV asphalt roads for construction; 47.5km long village roads for renovation; and 2.55 million sqm roads for hardening | Nujiang, Dehong, Yuxi, Qujing |
| 2 | Farmland improvement works | 70000 mu of land for improvement of medium and low yield farmland; 894km new irrigation channel in-between the farmland and main channel to be built; 104km pipeline to be installed; 130.2km access for farm machinery to be constructed; and 1200 water pools to be built | Nujiang, Qujing |
| 3 | Small water conservancy works | 1.8 million cubic meter capacity of reservoir to be newly built | Nujiang |

| | | | |
|---|---|---|--|
| 4 | Safe drinking water supply for countryside / rural sanitation and environmental improvement | 18000 rural residents to be supplied with safe drinking water; and 300 public toilets and 666 waste treatment pools to be constructed | Nujiang, Yuxi |
| 5 | Spread of agricultural technology | 7000 mu of breeding and demonstration base to be built; and 9000 sqm of agricultural technology learning room to be constructed | Dehong, Qujing |
| 6 | Community capacity building | Trainings, visit and exchange among the project communities and rural households | Relevant project communities |
| 7 | Institutional capacity building | Relevant trainings, monitoring and routine project management | Province and the relevant prefectures, Cities and counties |

G. Costs and Financing

The Project is planned with a total investment of 590million Yuan (exchange rate between USD and CNY is 1:6.3), including 47million USD to be applied from IFAD, while the rest will be financed by the local counter funds.

The provincial finance department and the prefectures, cities, and counties covered by the Project will be responsible to repay the capital and the due interest of the loan, except the verified poor counties.

Source of local counter funds: provincial and local budgetary funds, as well as the money integrated from those agricultural development funds for new countryside construction, Grand Western Development, village-level road construction, and the work-relief fund.

H. Organization and Management

- (1) It is planned to establish three levels of project leading groups, that is, provincial, prefectural (city), and county level. Leaders in charge of agriculture and poverty eradication will be assigned as the chief of the leading group at each level. Leaders of the relevant authorities will perform as members of the groups.
- (2) Under each level of the leading groups, a project management office will be set up. The provincial PMO will be installed at Yunnan Provincial Agriculture Department, consisted with the personnel from the provincial development and reform commission, the provincial finance department, and the provincial poverty alleviation office.
- (3) Project work stations will be installed at the project townships of the project counties, while project implementation teams will be located at the project villages.

I. Monitoring and Evaluation Indicators

Monitoring and evaluation are the vital factors for achieving the objectives and conducting effective management of the Project. Thus it is absolutely necessary to take a baseline survey that can fully, precisely, and timely reflects the production and living

conditions and the status of resources of the project areas before and after the project implementation, which will provide scientific reference for design and implementation of the Project, comparable data for the future evaluation for the project implementation effects, and macro-economy development and achievements of special poverty eradication projects, and references for making poverty eradication policies and other regional development policies. Monitoring and evaluation system of the Project consists with two parts: the internal performance monitoring, and information system and independent intervention evaluation system.

J. Risks

Due to the facts of long time for project preparation, construction, and also a long project life, as well as the project areas are featured as ethnic minorities, mountain areas, close to border, and poverty, particularly because of the laggard social economic development in the project areas, it might face the risks of natural disasters, implementation capacity, management, procurement, foreign currency exchange rate, project financing costs, and market during the implementation of the Project. Referring to those risks, it is planned to take a series of measures to avoid or reduce the possible negative impact caused by the risks, including reasonable project design, good timing for progress, and reinforcing communications, site visits and trainings for the site management staff.

K. Timing

The following timing has been tentatively agreed between IFAD, and both the Central and Yunnan Provincial Governments during the COSOP consultations:

- February-June 2011: Inception of the project as part of the COSOP consultations;
- November-December 2011: Detailed Design Mission;
- Week of 20 February 2012: Quality Enhancement Review;
- March-May 2012: Design Completion Mission and baseline mission;
- Week of 20 June 2012: Quality Assurance Review;
- July/August 2012: Loan negotiation
- 12-13 September 2012: Presentation to the IFAD Executive Board for approval.

L. Project Management Team composition

It is planned to establish three levels of project leading groups, that is, provincial, prefectural (city), and county level. Leaders in charge of agriculture and poverty eradication will be assigned as the chief of the leading group at each level. Leaders of the relevant authorities will perform as members of the groups. The Project will extend to the township and village levels; project work stations will be installed at the project townships, and the project villages will establish project implementation teams.

Project No. 4, Project No. 5, and Project No. 6 (optional): Agricultural Production and Livelihoods Improvement Program (APLIP) in Province XX (Exact Names still to be decided)

A. Background

During the COSOP consultations a broad agreement was reached with the Government that, depending on the volume of funds IFAD will allocate to P. R. China during the 2013-2015 PBAS cycle, about 3 new projects will be processed, with each of them not exceeding too far above USD 50 million given IFAD's requirement that the Provincial Government concerned provide an equal amount of counterpart funds. However, in line with the procedures and processes of the Government to select a specific Province to be allocated the IFAD resources, thus becoming in fact the real end borrower of those resources, it was not possible to decide already now the provinces will be covered in that

PBAS cycle. And since the Provinces will have the final say on the exact nature (development objectives, components, and organisation & management, etc.) of the projects they will be willing to borrow IFAD resources through the Central Government, it was not prudent for IFAD and the Central Government to agree during the COSOP consultations on the exact nature of the three new projects to be designed in that period. Nonetheless, a broad consensus was reached that each of the three proposed projects will have to be fully aligned with one or all of the agreed strategic objectives of the final 2011-2015 results based COSOP for P. R. China. Consequently, the following generic template describing the conceptual framework for the three projects was agreed and adopted.

B. Possible Geographic Area of Intervention and Target Group

The three programmes will each target the entrepreneurial poor and vulnerable rural women and men, living in remote, often mountainous and hilly areas, or border regions in a given province which will invariably be located in the middle or western reaches of the country, excluding the richer provinces in the east. They will put particular emphasis on reaching poor rural populations, small farmers, and ethnic minorities living in these areas, as well as those poor rural households living in the former revolutionary bases. The selection of the Province will be mutually agreed at the time of detailed design of each of the three projects/programmes.

C. Strategic context and rational for IFAD involvement

The emerging strategic framework for IFAD assistance to China is based on integrated rural development accompanied by credit to finance on- and off-farm income generating activities and value chain development, with emphasis on diversification and household food security, eco-system and natural resources management, knowledge management and south-south cooperation. The strategy focuses on the poorer households in marginal rural areas. New elements have been added, such as more effective targeting through selection of the productive poor in the poorest townships; use of existing credit agencies to improve sustainability; participation in planning and implementation at all levels, including the target group; and collaboration with other development partners.

With an average arable land holding of only about 3.8 mu/household, low yields and low crop intensity (except in low and medium elevation areas), the average household cannot become self-sufficient in grains. Most households buy the balance of their grain requirements with income from: (i) small livestock; (ii) agroforestry; (iii) off-farm activities and labour; (iv) special cash crops, mainly as second crops on paddy land; and (v) paddy fish culture. Farmers are well aware of the problems they face, and the projects/programmes will build on their perceptions through participatory planning and development. They will provide credit for investment in agricultural production and off-farm activities, plus value chains development activities; better access to modern technology to improve productivity and eco-system management; and land and irrigation development to increase productive resources. Additional rural infrastructure and facilities for social services will be combined with gender-specific training in health and nutrition, and in literacy and technical skills in order to increase the socio-economic empowerment of women and improve living conditions.

D. Key Project Objectives

14. Key Project Objectives. The proposed projects will be improved rural poverty alleviation and improvement of the livelihoods of the rural areas dwellers by increasing production and incomes and decreasing income variability through a market-driven commercialisation and diversification strategy.

E. **Ownership, Harmonization and Alignment:**

15. The priorities of the Programme are aligned with the strategies of the 12th FYP (2011-2015) and Government's rural poverty alleviation strategies, notably the improvement of livelihoods of the rural poor population with accelerated, sustainable and modernised agricultural development.

F. **Components and activities.**

16. The projects will have one or all of the following possible components: (a) sustainable use of enhanced productive natural and economic assets, and improved technology and advisory services, in a changing environment and market conditions in project areas; (b) rural poor and their organisations are enabled to take advantage of improved market access and financial services for increased income generation and enhanced resilience to risks; (c) enhanced South-South cooperation and knowledge management support provide opportunities for sharing knowledge generated from innovations and scaling up good practices in rural development; and (e) project/programme management and coordination. More detailed components and activities will be determined following an assessment of the needs of the selected target groups, and based on lessons from previous donor funded projects.

G. **Costs and financing.**

17. The total cost of each of the projects/programmes is estimated to be about USD 100 million over a five to seven year implementation period, of which IFAD shall contribute about USD 50 million and the balance will be co-financed by the central and provincial governments, the beneficiaries and other identified co-financiers and private co-investors where appropriate.

H. **Organization and management.**

18. The Lead Programme Agency will be Provincial Government to be decided in due course, depending on the types of components and activities to be designed. Implementation responsibilities will lie with competent government departments, value chain companies to be created specifically or affiliated to existing companies, NGOs, public and private sector service providers to be recruited competitively.

I. **Monitoring and Evaluation indicators.**

19. Where possible appropriate outcome and milestone indicators will be selected for the programme during its design.

J. **Risks.**

20. The risks are the same as those identified in the relevant section of the COSOP.

K. **Timing.**

21. The inception and full design of the first of the three Programmes will take place during 2012, while its appraisal and approval shall be in 2013, and its expected implementation period shall be 2014-2019. The second of the three programmes will be inception in 2012, fully designed and approved in 2014, while its implementation period shall be 2015-2020. The equivalent dates for the third optional programme, should it be agreed to have one, will be inception in 2013, designed in 2014/2015, approved during the second half of 2015 and implemented between 2016 and 2021

Key file 1: Rural poverty and agricultural/rural sector issues

| Priority Areas | Affected Group | Major Issues | Actions Needed |
|--|---|---|---|
| Poor capacity of livelihood improvement | All rural households living in pocket poverty areas, the poor and the lower end of the average households are the most affected | <ul style="list-style-type: none"> • Fragile food security • Lack of IGA skills and knowledge • Insufficient performing assets • Lack of active labour • No or little family savings • Difficult or no access to credit • Limited capacity for rural labour to migrate • Continued family and financial burdens | <ul style="list-style-type: none"> • Improve productivity • Participatory and self-governed management • IGA skill and knowledge training • IGAs leading to building performing assets, reduce historical indebtedness • Diversified credit services with poverty and gender sensitivity • Improve health, sanitation, drinking water conditions to help free the rural labour • Build self-development strengths and capacities at household and community levels |
| Insufficient access to resources and opportunities | All rural households living in pocket poverty areas, the poor and the lower end of the average households are the most affected | <ul style="list-style-type: none"> • Difficult or no credit access • Poor irrigation system • Difficult road conditions • Poor bargaining power for access to electricity, telecommunication, health care, and other facilities and services • Isolated from local sector industries • Unorganized and small-scale conventional farming • No knowledge or skills to capture emerging opportunities | <ul style="list-style-type: none"> • Community infrastructures and facilities with focus on productive and performing community assets such as irrigation, road, electricity, renewable energy, telecommunication • Farmers' associations, cooperative development and promotion of private entrepreneurship to help mainstreaming into the local sector development • Cooperative farming and marketing with standardized quality • Technical training and exposure to external market needs and opportunities |
| Fragile resilience to external shocks | All rural households, but the poor more proportionally affected | <ul style="list-style-type: none"> • Frequent calamities • Isolated and non-sustainable farming • Weak intangible assets • Performing physical and natural assets dependent mostly on climate and market conditions • Limited labour capacity • Lack of risk management notions • Little or very basic social safety net | <ul style="list-style-type: none"> • Training and application of knowledge and techniques in risk management and eco-environmental protection • Introduction of instruments that strengthen farmers' resilience • Build livelihood safety net and mainstream rural households under the emerging social security system • Strengthen the public support system |
| Isolation from market value chain | All rural households, but the poor more proportionally affected | <ul style="list-style-type: none"> • Difficult road connection from villages to trading centres • Lack of investment projects in the rural area • Weak market linkage • Poor marketing facilities and capacities • Small-cell and unorganized farming | <ul style="list-style-type: none"> • Community road built in connection with the market network • Leverage resources and projects in agriculture and rural development • Promote farmers' associations, cooperatives and rural entrepreneurship • Build processing and marketing capacities at community level • Organized farming, processing and marketing with standard |

| Priority Areas | Affected Group | Major Issues | Actions Needed |
|----------------|----------------|---|--|
| | | <ul style="list-style-type: none"> • Non-standard quality of product and produce • Lack of organized farming, processing and marketing • Early development stage of farmers' associations • Poor techniques in improving quality and values of products • Lack of strategic diversification or specialization in IGAs • Difficult access to market information • Weak technical extension and other support services | <ul style="list-style-type: none"> quality • Introduce products of sound market potential and techniques enabling market access • Strengthen public support services, especially in the area of technical extension and technical envoy |

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

| Organisation | Strengths | Weaknesses | Opportunities/Threats | Remarks |
|---|---|---|---|---|
| Enablers | | | | |
| Ministry/ Department/ Bureau of Finance | <ul style="list-style-type: none"> Well organised. Strong skills in financial management. Effective coordination. Efficient coordination with donors. Decentralised and represented at all levels. | <ul style="list-style-type: none"> Limited technical capacity for rural development issues. Only represented down to county level | <ul style="list-style-type: none"> Decentralised. Highly supportive of IFAD's strategy in China. Experience with policies and programs of IFIs and MDBs | <ul style="list-style-type: none"> MOF is the counterpart Ministry of IFAD in China. |
| National/Provincial/ Prefecture/County Development and Reform Commission | <ul style="list-style-type: none"> Well organised. Experienced in programmes design and appraisal. Effective coordination. Efficient coordination with donors. Responsible for policy formulation, development and approval of new programmes. | <ul style="list-style-type: none"> Limited technical capacity for rural development issues Lack of experience for field operational management of development projects Only represented down to county level | <ul style="list-style-type: none"> Highly supportive of IFAD's strategy in China. Well aware of the country development needs and priorities Participated in rural poverty reduction programmes. | <ul style="list-style-type: none"> NDRC and MOF are responsible for approval of IFAD-funded programmes in China; |
| Service Providers | | | | |
| Department/Bureaux of Agriculture. | <ul style="list-style-type: none"> Responsible for crops development; Strong commitment; Experienced in implementing agricultural projects. Represented at all levels and experienced field staffs. Strong technical skills in relevant sub-sectors. | <ul style="list-style-type: none"> Top-down extension approach Limited gender focus. Lack of multi-sector orientation. Limited market orientation. Limited resources. | <ul style="list-style-type: none"> Strong outreach and field presence. Shifting to a more multi-sector approach for rural development. Promote the formation of farmer associations. | <ul style="list-style-type: none"> Competition from commercial extension and marketing. |
| Department/Bureaux of Livestock. | <ul style="list-style-type: none"> Responsible for livestock development Strong commitment. Experienced in implementing livestock development projects. Represented at all levels & experienced field staffs. Strong technical skills in | <ul style="list-style-type: none"> Top-down extension approach Limited gender focus. Lack of multi-sector orientation. Limited market orientation. Limited resources. | <ul style="list-style-type: none"> Strong outreach and field presence.. Shifting to a more multi-sector approach to rural development. | <ul style="list-style-type: none"> Competition from commercial technical services and marketing. |

| Organisation | Strengths | Weaknesses | Opportunities/Threats | Remarks |
|---|---|--|--|---|
| | relevant sub-sectors. | | | |
| Bureaux of Aquaculture. | <ul style="list-style-type: none"> Responsible for livestock development Strong commitment Represented at all levels. Experienced in implementing aquaculture projects. Strong technical skills in relevant sub-sectors | <ul style="list-style-type: none"> Limited gender focus. Lack of multi-sector orientation. Limited market orientation. Limited resources. | <ul style="list-style-type: none"> Strong outreach and field presence. Shifting to a more multi-sector approach to rural development. | <ul style="list-style-type: none"> Competition from commercial technical services and marketing |
| Department/Bureaux of Science and Technology. | <ul style="list-style-type: none"> Responsible for science and technology activities. Actively promotes rural and social development through technology transfer. Multi-sectoral coverage. Innovation oriented. Represented down to county level. | <ul style="list-style-type: none"> Limited gender focus Limited resources. | <ul style="list-style-type: none"> Openness for piloting technology transfer as an instrument for rural development. | <ul style="list-style-type: none"> Possible overlap with sector Agencies and Department/Bureaux. |
| (Agricultural Development and) Poverty Alleviation Office. | <ul style="list-style-type: none"> Responsible for poverty reduction strategy design. Considerable successful experience in the design and implementation of poverty reduction programmes. Competent staff at most levels. Multi-sectoral orientation. Participatory village planning approach. Facilitate labour migration, linking private sector with the very poor for emigration skills. | <ul style="list-style-type: none"> Limited monitoring and impact assessment capacity. Shortcomings in rural poverty targeting although there is a clear intention to address them. Limited gender focus although there are clear intentions to address it. Limited strategic capacity and weak inter-linkage with other departments. | <ul style="list-style-type: none"> Focus on poor villages Have valuable database on rural poverty population. Link the poor of the rural target villages to their vocational training programs for labour emigration. Exchange on lessons learnt for community development | <ul style="list-style-type: none"> Support PAO for its role in community development and to facilitate vocational training of selected rural poor for labour migration. |
| All China Women's Federation. | <ul style="list-style-type: none"> Promotes the interests of women and poor households in all fields. Notions of poverty reduction focus and strong social focus Works at very local, decentralised level. Federated structure from village up to the central level Dedicated staff. NGO-style working environment. | <ul style="list-style-type: none"> Limited operational resources. Weak cooperation from other Sector agencies. Weakly trained staff at local level. | <ul style="list-style-type: none"> Focus on poor households. Coaching and informing poor households. Local basic skill training in the villages. Continuously seeking for opportunities of forming women-led groups/associations/cooperatives. | <ul style="list-style-type: none"> Basic training in the villages and coaching of the poorest towards the production and marketing modules. Strategic strengthening of gender issues. |

| Organisation | Strengths | Weaknesses | Opportunities/Threats | Remarks |
|---|--|--|---|---|
| | <ul style="list-style-type: none"> Reasonably effective innovative programmes in critical sectors. | | | |
| Rural Credit Cooperative Unions and Rural Credit Cooperatives | <ul style="list-style-type: none"> Nation-wide network Grassroots branch presence down to township level. Long history of agricultural lending. Experienced credit staffs | <ul style="list-style-type: none"> Poor networking capacity Historical burden of NPL Narrow line of business in conventional credit and savings. Lack of management system integration. Uneven quality of HR at operational level Little gender focus. | <ul style="list-style-type: none"> Ongoing organizational restructuring. Very limited outreach to IFAD target groups | The most extensive network for rural financial services in the country |
| Client Organisations | | | | |
| Farmers' associations and cooperatives | <ul style="list-style-type: none"> Emerging organisations of farmers Dynamic growth Often well organised value chain actors Financial capacity rather good Experience in processing, production Own network of trainers and know-how | <ul style="list-style-type: none"> Lack of strong governance Often dominated by a few member Not necessarily created purposefully for the IFAD target group Very limited coverage Often not yet well structured and operating as cooperative per se | <ul style="list-style-type: none"> Potential to organise poorer rural people in associations Potential to strengthen these associations | <ul style="list-style-type: none"> Increasingly important players in agriculture and rural development |

Key file 3: Complementary donor initiative/partnership potential

| Donor/Agency | Priority Sectors and Areas of Focus | Period of Current Country Strategy | Complementarity/Synergy Potential |
|------------------|---|---|---|
| AusAID/Australia | <ul style="list-style-type: none"> ▪ <i>Build capacity in environment, governance and health: integrated river basin management, climate change, emerging infectious diseases and HIV/AIDS</i> ▪ <i>Economic governance, fiscal reform</i> ▪ <i>Social security, balanced urban rural development;</i> ▪ <i>Work collaboratively with China in the region</i> | China Australia Country Program Strategy 2006-2010, about AUD 26 million annually | <ul style="list-style-type: none"> ▪ Social security system for the poor rural community ▪ Rural governance ▪ Environmental governance, water resource management |
| CIDA/Canada | <ul style="list-style-type: none"> ▪ <i>Environmental sustainability</i> ▪ | Country Development Programming Framework 2005-2010, About 30 million annually | <ul style="list-style-type: none"> ▪ Livestock health extension service: experience and expertise sharing from CIDA project to IFAD projects ▪ Policy influence relating to sustainable environment management and rights for marginalized and minority groups ▪ Gender equity |
| GTZ, KFW/Germany | <ul style="list-style-type: none"> ▪ <i>Environment policy and energy management: protection and sustainable use of natural resources (esp. biological and agricultural diversity, sustainable forest management, eco-friendly technologies, energy efficiency and renewable energies),</i> ▪ <i>Sustainable economic development: promote a (more) sustainable economic model, strengthen the rule of law and civil participation, sustainable economic development (esp. economic and structural reform, legal advice, financial systems development and social issues)</i> | Ongoing, over € 30 million | <ul style="list-style-type: none"> ▪ Rural financial service, especially on agricultural insurance. e.g. to explore applicability of weather index insurance for rural communities ▪ Sustainable agriculture, food safety, forest management and biodiversity, water and soil conservation, avoiding climate change and the development of bio-energy resources |

| | | | |
|------------------------|--|--|--|
| SIDA/Sweden | <ul style="list-style-type: none"> strengthened capacity for environmentally sustainable development, climate change mitigation and adaptation, Increased number of partnerships between Swedish and Chinese partners. | 2009-2013, annual budget about SEK 50 million | <ul style="list-style-type: none"> SIDA has supported rural communities in eco-environment improvement, where successful models can be shared with IFAD project. Cooperation on waste management in rural communities can be explored. Application of renewable energy and technologies for rural communities |
| DFID/UK | <ul style="list-style-type: none"> Supporting China to achieve the MDGs. Working in partnership with China to reduce global poverty, address climate change through adaptation and mitigation, and promote sustainable development. Selected MDGs, including in primary education, HIV/AIDS, TB, health systems, water and sanitation. Dialogue and partnership with China on a range of international development issues including: climate change, sustainable development, Africa, and South-South learning | 2009-2010, two year budget £ 30 million | <p>Potential cooperation may be explored on the following areas:</p> <ul style="list-style-type: none"> Adaptation to climate change in agricultural and rural sector South-south cooperation Water and sanitation in rural areas |
| Asian Development Bank | <p>Promotion of inclusive growth and environmentally sustainable development toward building a Xiaokang society:</p> <ul style="list-style-type: none"> Urban and rural infrastructure for balanced development Resources efficiency and environmental sustainability Private sector development Public goods and regional cooperation Knowledge and Innovation Agricultural and rural development Water supply and waste management | Country Partnership Strategy 2008-2010, annual budget around US\$ 1.5 billion (loan) plus US\$ 20 million (TA) | <ul style="list-style-type: none"> Promotion of agribusiness and engagement of private sector Regional cooperation especially between GMS countries Water saving irrigation and other agricultural infrastructure Sustainable natural resources management and environmental protection Innovation and knowledge management Policy dialogue |
| EU | The EU pursues a development cooperation policy aimed at supporting China's reform program in sector areas where EU experience can add value, to achieve the objectives of sustainable development and the smooth and gradual integration of China into the world economy. Areas of focus include: energy, environment & Climate change; human resources development, transportation, financial service, trade cooperation, Intellectual Property Rights, information society, public administration etc. | Country Strategy Paper 2007-2013, indicative budget US\$224 million for seven year period | <p>Potential areas of partnership with the EU can be pursued in the following areas:</p> <ul style="list-style-type: none"> Adaptation to climate change in the agricultural sector; Implementation of Clean Development Mechanism (CDM), promotion of renewable energy, carbon capture and storage, environment compensation schemes |
| UN Systems | The UN agencies foster human development in China and help to achieve the MDGs. The UN draws on a world of experience to assist China in developing its own solutions to the country's development challenges, and to empower women and men to build better lives. The UN focuses are centred primary on the MDGs, through agency programs and joint program in light of the one UN initiative. The key | UN Development Assistance Framework 2011-2015, indicative budget for all three outcomes is estimated at US\$ 373.66 million, out of which IFAD pledged about | <ul style="list-style-type: none"> Advocacy, policy dialogue and knowledge sharing with UN system on MDGs and related values UNDP: sharing poverty reduction innovations, sustainable environment management, rural energy efficiency UNICEF: sanitation with rural community ILO: support to migrant labourers, small agribusiness for rural household WFP: weather index agricultural insurance |

| | | | |
|------------|--|--|--|
| | <p>outcomes of the 2011-2015 United Nations Development Assistance Framework are: (a) Government and other stakeholders ensure environmental sustainability, address climate change, and promote a green, low carbon economy; (b) The poorest and most vulnerable increasingly participate in and benefit more equitably from China's social and economic development; and (c) China's enhanced participation in the global community brings wider mutual benefits.</p> | <p>US\$ 55.41 million, which will be part of the total PBAS allocation during the COSOP period</p> | <ul style="list-style-type: none"> • FAO: technical cooperation program to address technical issues in IFAD funded program, knowledge sharing on agricultural themes • UNESCO: water management and rural water safety education, cultural sensitivity in poverty reduction • UNIFEM: advocacy and capacity building in gender mainstreaming |
| World Bank | <p>The World Bank Group supports China through lending and knowledge services that pilot reforms and support institutional development for:</p> <ul style="list-style-type: none"> • Integrating China into the world economy (Promote China's participation in multilateral economic cooperation, facilitate trade and investment, global initiatives and cross-border learning) • Reducing poverty, inequality and social exclusion (eliminating absolute poverty, poor's capacity building, expanding opportunities for the poor, facilitating rural migration) • Managing resource scarcity and environmental challenges (improving resource efficiency and management) • Financing sustained and efficient growth • Improving public and market institutions (improve competitiveness, support public service, improve fiscal and budget management) | <p>Country Partnership Strategy 2006-2010, annual budget around US\$ 1.5 billion</p> | <ul style="list-style-type: none"> • Water saving agriculture development: WB is helping China in identifying the way to reduce the water use for agriculture, e.g. shifting from water intensive crops to water saving crops and promoting the efficiency of irrigation. It shall be good for IFAD to collaborate with WB to demonstrate the feasibility and the efficiency of these ways. • Expansion of financial access: WB is pursuing commercially sustainable bank lending to MSEs, and Community Development Financing there is a potential to IFAD to collaborate with WB in providing loans to rural MSEs, owned by rural organizations for instance. World Bank is also working at macro level to improve regulatory framework for rural financing • Sustainable resources management and poor's capacity building: Experience sharing from Bank's ongoing Sustainable Development in Poor Rural Areas, Eco-farming project which covered some of the same project provinces where IFAD will operate. • Policy dialogue and knowledge management. Given the strong capacity of the World Bank, there is potential for IFAD to partnership with WB in pursuing policy influence and managing knowledge, including innovations. |

Key file 4: Target group identification, priority issues and potential response

| Typology | Poverty Levels And Causes | Coping Actions | Priority Issues | Potential Response |
|---|---|---|---|--|
| <p>Category A: The rich and better-off With an annual per capita net income above CNY 5,153. Access to most of the resources and benefit from opportunities required for livelihood improvement.</p> | <ul style="list-style-type: none"> Sufficient and skilful household labour Have a good health Solid food security Solid and sufficient physical assets Well connected in the local social network Quality farming with surplus Integrated in value chains Off-farm activities, sufficient financial buffer, access to credit Often have a family member more permanently in the urban area with specialised skills or good education and a good job, who sends remittances | <ul style="list-style-type: none"> Make surplus in family needs with regular off-farm and on-farm incomes. Return back from labour migration to invest in agriculture and local business. Exploring more IGA's through market linkage, sometimes still very local. Get RCC loan | <ul style="list-style-type: none"> Improved access to markets Access to improved community infrastructures and support services. | <ul style="list-style-type: none"> Benefit from strengthened associations Benefit from improved market and community infrastructure Benefit from improved support services Apply risk management and eco-environment friendly protection Consolidated self-development skills and strengths |
| <p>Category B: The average With an annual per capita net income ranging from CNY 1,197 to CNY 5,153. Access to critical resources and benefit from some opportunities required for livelihood improvement.</p> <p>The lower end of this category becomes part of the target group due to its vulnerability and sensitivity to external shocks.</p> | <ul style="list-style-type: none"> Healthy labour based at home Food security fully ensured Good farming income, good land, limited access to inputs, average yields Basic household physical assets Access to the local social network Involved in value chains but share low premiums Limited financial buffer, but access to credit Risk of falling into poverty if adverse events take place Often have a family member seasonally migrating with relatively good skills | <ul style="list-style-type: none"> Meet family needs with regular off-farm and on-farm incomes Can invest in improved livelihood sufficiency and in small-scale IGAs Get RCC loan | <ul style="list-style-type: none"> More diverse income opportunities Improved integration in value chains Increased productivity and quality of farm produce Access to credit Improved access to markets, community infrastructures and support services | <ul style="list-style-type: none"> Benefit improved community infrastructures and facilities Participation in beneficiary-governed services and management mechanism Improved productivity Diversified and specialized IGAs Adopt improved techniques and methods Apply risk management and eco-environment friendly protection Share improved premiums from value chains Benefit from improved support services Enhanced self- |

| | | | | |
|--|---|---|--|--|
| | | | | development skills and strengths |
| <p>Category C:</p> <p>The poor</p> <p>With an annual per capita net income at CNY 1,196 and lower. Insufficient access to basic resources and incapable of benefiting from opportunities required for livelihood improvement.</p> <p>Primary target Group</p> | <ul style="list-style-type: none"> • Insufficient or constraint labour • Seasonal food insufficiency • Low farm productivity, no access to external input • Insufficient household physical assets of poor productivity • Distant or isolated from the local social network • No access to value chains • No or little financial buffer, often indebted • Difficult or no access to credit • No labour migration, or seasonal labour migration with very low skills and income • Low self-development skills and capacities • Often burdened by unhealthy or inactive labour | <ul style="list-style-type: none"> • Borrow from relatives or from households with migration members, if warrantor is found, can take small loan • Mainly farm for self consumption but small sales of agricultural and livestock products are important for their livelihood • Depend on external assistance for survival | <ul style="list-style-type: none"> • Need income diversification • Increase productivity, diversification and quality of farm produce; • Information on market, training, trends, opportunities • Access to credit; • Improved access to markets • Literacy • Need possibility to build up skills for emigration. • Off farm activities in winter • Stable access to related support and services • Food sufficiency | <ul style="list-style-type: none"> • Access to improved community infrastructures and facilities • Participation in beneficiary-governed services and management mechanism • Improved productivity • Diversified and specialized IGAs • Adopt improved techniques and methods • Apply risk management and eco-environment friendly protection • Access to value chains and share due premiums • Access to improved support services • Acquire self-development skills and strengths |