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Enabling poor rural people
to overcome poverty

President's report

Proposed loan to the People's Republic of China for the

Yunnan Agricultural and Rural Improvement Project

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For: Approval

Contents

Abbreviations and acronyms	ii
Map of the project area	iii
Financing summary	iv
Recommendation for approval	1
I. Strategic context and rationale	1
A. Country and rural development and poverty context	1
B. Rationale and alignment with government priorities and RB-COSOP	2
II. Project description	3
A. Project area and target group	3
B. Project development objective	4
C. Components/outcomes	4
III. Project implementation	5
A. Approach	5
B. Organizational framework	5
C. Planning, monitoring and evaluation, and learning and knowledge management	6
D. Financial management, procurement and governance	6
E. Supervision	7
IV. Project costs, financing, benefits	7
A. Project costs	7
B. Project financing	8
C. Summary benefit and economic analysis	8
D. Sustainability	9
E. Risk identification and mitigation	9
V. Corporate considerations	9
A. Compliance with IFAD policies	9
B. Alignment and harmonization	10
C. Innovations and scaling up	10
D. Policy engagement	10
VI. Legal instruments and authority	10
VII. Recommendation	10
Annex	
Negotiated financing agreement	11
Appendix	
Logical framework	

Abbreviations and acronyms

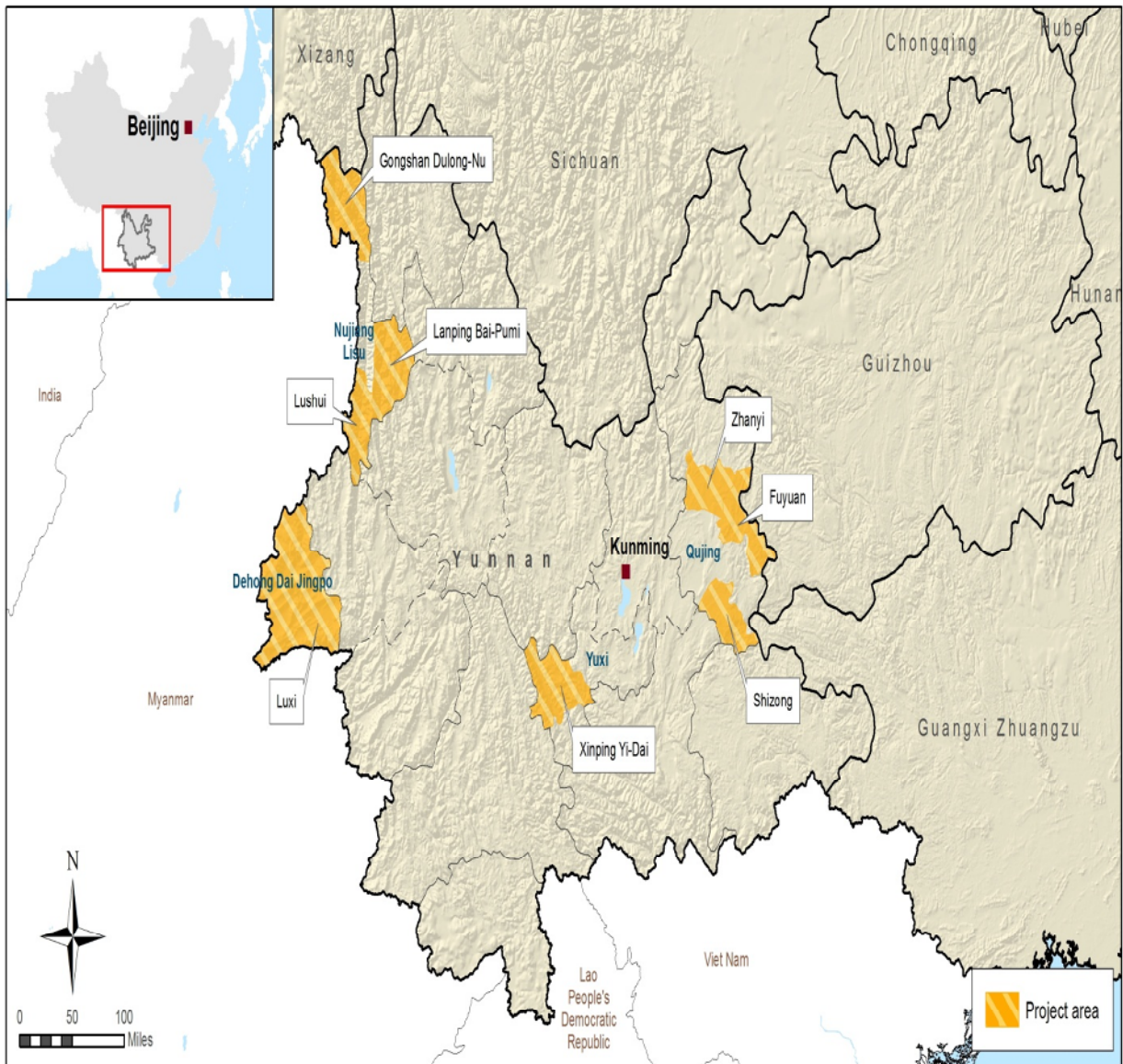
AWP/B	annual workplan and budget
DA	designated account
DoA	Department of Agriculture
DoF	Department of Finance
EIRR	economic internal rate of return
IMG	infrastructure maintenance group
M&E	monitoring and evaluation
O&M	operation and maintenance
PMO	project management office
RB-COSOP	results-based country strategic opportunities programme
VIG	village implementing group
YARIP	Yunnan Agricultural and Rural Improvement Project

Map of the project area

China

Yunnan Agricultural and Rural Improvement Project

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

People's Republic of China

Yunnan Agricultural and Rural Improvement Project

Financing summary

Initiating institution:	IFAD
Borrower:	People's Republic of China
Executing agency:	Ministry of Finance
Total project cost:	US\$94.0 million
Amount of IFAD loan:	SDR 30.45 million (equivalent to approximately US\$46.70 million)
Terms of IFAD loan:	18 years, including a grace period of 5 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
Contribution of borrower:	Approximately US\$47.30 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the People's Republic of China for the Yunnan Agricultural and Rural Improvement Project (YARIP), as contained in paragraph 51.

Proposed loan to the People's Republic of China for the Yunan Agricultural and Rural Improvement Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. **Macroeconomic performance.** Since the start of far-reaching economic reforms in the late 1970s, China's population, estimated at 1.34 billion (in 2010), witnessed unparalleled economic growth. About 10 per cent annual real growth of GDP was recorded continuously for over 10 years, up to 2007, and about 9 per cent was achieved in 2009 and 2010 despite the worldwide financial crisis in 2008. Some estimates indicate GDP growth will now slow down. Yet it reached 9 per cent in 2011, and according to preliminary estimates was 7.8 per cent year-on-year for the first half of 2012. With this rapid economic development and a declining population growth rate, per capita GDP rose from 381 Chinese yuan (CNY) in 1978 to about CNY 29,700 in 2010, equivalent to about US\$4,500. A significant shift in the composition of GDP has also taken place, with agriculture losing its share to industry and services. The average per capita net income of the rural population rose from CNY 686 in 1990 to CNY 5,919 in 2011. A large part of this growth was the result of wages from off-farm activities.
2. **Agriculture and rural development.** The rural share of total population has decreased from about 80 per cent in 1980 to about 50 per cent in 2011. Some 40 per cent of total employment in China occurs in rural areas, mainly in farming, forestry, animal husbandry and fishing. The total cultivated area of farmland was 110 million hectares (ha) in 2011, overall about 0.1 ha per capita, of which about 49 per cent is effectively irrigated. The proportion of total arable area planted to food crops has been declining due to diversification into more profitable cash crops. However, this drop was more than compensated by yield increases, resulting in an increase of overall per capita food production from 319 kg in 1978 to 426 kg in 2011. This, combined with a steady decline in per capita grain consumption in urban areas, means that the country has consistently met its central food security goal. Livestock and aquaculture also experienced rapid development in the same period. Overall meat production rose from 9 kg/person in 1978 to 59 kg/person in 2010, while aquatic products increased from 5 kg/person to 40 kg/person.
3. **Poverty reduction.** China is widely recognized for its outstanding achievements in reducing poverty since the reform of the rural economy over the last 30 years. Broad participation in reform-driven economic growth, plus a well-funded national poverty reduction programme, contributed to this impressive result. In November 2011 the Government raised the poverty line from CNY 1,274 per capita to CNY 2,300 per capita, which brings the poor population to about 128 million. This represents a poverty incidence of 13 per cent. Even so, China already exceeds the Millennium Development Goal of halving the proportion of its population with incomes below a dollar a day between 1990 and 2015.
4. Nonetheless, there is worrying evidence of widening disparities in incomes and poverty levels, not only between regions, but also between urban and rural areas and by gender. There has been a deceleration in the rate of poverty reduction, and

an increase in its feminization. An increasing share of the remaining poor rural people are concentrated in the western areas, including Yunnan Province, especially in remote and mountainous areas inhabited mostly by ethnic minorities. Poverty reduction in these areas, beset by poor resources and adverse conditions, is very challenging.

5. Poverty in China remains primarily a rural phenomenon. Poor households tend to derive a larger share of their income from agriculture, where productivity is low, than do rural households as a whole. The main causes of poverty include: frequent natural calamities, increasingly caused by climate change; remoteness and poor infrastructure and facilities; a limited natural resource and asset base; lack of skills; and limited access to inputs, markets and productive assets. Labour migration, consequently, is an integral part of rural household livelihood coping strategies. In 2010, some 153 million rural labourers took up employment outside their villages, representing just over 20 per cent of the current rural population and more than 35 per cent of the rural labour force. About 65 per cent of migrant workers are reportedly men, confirming the increasing feminization of rural labour. Some 84 per cent of migrants are aged 16-40 years, highlighting the risk of losing the most active and educated labour for agricultural development.
6. Yunnan Province is located in western China bordering Myanmar, Laos and Viet Nam. More than 94 per cent is mountainous and good agricultural land is scarce. It has a total population of about 38 million, of whom 30 per cent are ethnic minorities. About 70 per cent of the population is still rural, considerably higher than the national average of 50 per cent. Yunnan is one of the poorest provinces in China, with over two thirds of its counties being nationally designated as severely poor, the highest of any province. The proposed Yunnan Agricultural and Rural Improvement Project (YARIP) will cover some of these counties in which inadequate rural infrastructure limits productivity enhancement and livelihood improvement opportunities.

B. Rationale and alignment with government priorities and the RB-COSOP

7. China's twelfth five-year plan for national economic and social development (2011-2015) aims at harmonized growth to allow rural areas to catch up with the country's economic growth and social development. Its 2011-2020 rural poverty reduction and development programme recognizes the need for a long-term commitment, especially in the poorer western provinces, border and ethnic minority areas and former revolutionary bases, which are mostly remote and mountainous. The Government's aim under both endeavours is poverty reduction through improving infrastructure, pursuing green agriculture, strengthening marketing and financial services to poor people, encouraging private entrepreneurs and farmers' organizations, developing off-farm economic activities and supporting controlled migration.
8. IFAD's 2011-2015 results-based country strategic opportunities programme (RB-COSOP) for China is fully aligned with the five-year plan and the rural poverty programme. Its three strategic objectives are: (a) poor rural people in targeted areas sustainably use enhanced productive natural and economic assets and improved technology and advisory services in a changing environment and market conditions; (b) poor rural people and their organizations are enabled to take advantage of improved market access and financial services for increased income generation and enhanced resilience to risks; and (c) enhanced South-South cooperation and knowledge management provide opportunities for sharing knowledge generated through innovation and the scaling up of good practices in rural development.
9. YARIP is the third intervention under the RB-COSOP. Through it, efforts will be made to: provide poor rural people with productive assets and community facilities;

develop commercial agriculture through access to improved value chains and remunerative markets; support the development of farmer's cooperatives; and strengthen local agricultural institutions. In line with IFAD's catalytic role, such efforts take the form of successful modules to be scaled up by the Government and others. YARIP will add value by developing innovative and effective strategies for scaling up. It will ensure synergy between activities to reduce poverty, improve food security and increase rural incomes.

10. **Links with complementary projects.** YARIP will establish links with relevant government- and donor-funded interventions in the project area to strengthen complementarities, maximize synergies, avoid duplication and share experiences. The most relevant of these include: the "New Countryside" Construction Programme launched in 2006; the Outline for Poverty Reduction and Development of China's Rural Areas (2011-2020) released in late 2011, which aims to link development in rural and urban areas to improve rural livelihoods and narrow the income gap; and the Demonstration County Agricultural Extension Service Reform launched in 2009, which introduces participatory approaches into the agricultural extension system and improves township extension stations.
11. **Integration within the IFAD country programme.** YARIP's design is fully aligned with the strategic objectives of the RB-COSOP, and takes account of the achievements and lessons learned under completed and ongoing IFAD projects, mainly in connection with the modular approach, demonstration and scaling up, participatory planning, targeting, gender mainstreaming, monitoring and evaluation (M&E) framework and management and coordination of implementation. In addition, YARIP explores innovative approaches to: balanced and synergetic development of rural infrastructure, agricultural production and value addition; community-based and inclusive targeting; beneficiary contributions to the operation and maintenance (O&M) of infrastructure to ensure sustainability; empowering poor people and women to engage in decision-making processes; incorporation of project activities within the Government's rural strategies; and value-chain financing.

II. Project description

A. Project area and target group

12. YARIP will be implemented in nine counties of Yunnan. Five are nationally designated poor counties and the others have large, persistent pockets of poverty. One is a "frontier and ethnic county" bordering Myanmar. The nine counties administer 80 townships and 848 administrative villages, with a total population in 2010 of 2.64 million. Of the 80 townships, the project will cover 45 and 254 administrative villages, selected for their severe poverty status and remoteness, with average family incomes well below the overall average. About 85 per cent of the targeted population is poor and vulnerable. In targeted villages, all households will be involved in project activities, with priority given to economically active poor people, ethnic minorities and women. The ethnic minorities represent an average of 64 per cent of the project counties. Overall the project is expected to benefit 194,100 households (1,007,300 people).
13. The project is located on the mountainous Yunnan-Guizhou Plateau. Arable land is very limited, averaging only 0.1 ha per capita, due to the steeply sloping mountainous and hilly terrain. Cropping and livestock production make up 50-80 per cent of total household income, of which about 30-40 per cent comes from crops and 20-40 per cent from livestock. In terms of the ratio of cash crops to staple crops, 20 to 25 per cent of the total cropped area in the lowlands is dedicated to cash crops (essentially vegetables) and the remainder to staples (mainly grains); in mountainous areas, 10-15 per cent is dedicated to growing cash crops, and the remainder to staples. The functional irrigation area accounts for less than 30 per cent of the total cultivated area of project counties, which is less than the provincial average of 38 per cent and the national average of 49 per cent. The whole

area has been severely affected by frequent spring droughts due to climate change over the last four to five years.

B. Project development objective

14. The project goal is rural development and poverty reduction in targeted areas of Yunnan Province. Its specific objective is to increase incomes, enhance food security, strengthen resilience and improve the habitats of 194,100 poor rural households through an integrated, synergetic development of rural infrastructure, agricultural production, value-chain development and market access.

C. Components/outcomes

15. YARIP has four components: community infrastructure improvement; agricultural productivity enhancement; value-chain development and improved market access; and project management and coordination.
16. **Community infrastructure improvement** will improve rural living conditions and community environments in 410 natural (as opposed to administrative) villages through: (a) rehabilitating and developing village roads, drinking-water supply systems, and sanitation and other facilities (drainage ditches, waste treatment tanks, etc.); and (b) establishing and building the capacity of infrastructure maintenance groups (IMGs) to ensure the sustainability of project-constructed facilities. It will also improve market access for locally produced agricultural products and input supply conditions through value-chain development efforts.
17. The implementing agencies for the activities will be: the Bureau of Transportation for village roads; the county Bureau of Water Resources (BoWR) and county Bureau of Health for village water-supply systems; the New Countryside Construction offices for sanitation improvement activities; and the county Bureau of Forestry (CBoF) for ecosystem restoration. The IMGs to be established include: road maintenance groups for village roads; water users' groups for water-supply systems; and village maintenance groups for sanitation and other facilities.
18. **Agricultural productivity enhancement** will improve farmer's food security and increase household incomes by improving crop and livestock productivity at the farm level. It will focus support on: (a) farmland infrastructure improvement on 18 irrigation and drainage systems and one fish farm; (b) 28 annual-crop production modules¹ through the introduction of high-yielding varieties, adapted cropping patterns and improved cultivation technologies; (c) 21 livestock production modules and one fishery module using improved livestock breeds and feeding conditions, coupled with training of livestock owners and provision of veterinary services; (d) 30 extension-service-strengthening modules; and (e) 68 community capacity-building modules.
19. The BoWR will implement the farmland infrastructure improvement subcomponent, and the county project management offices (PMOs) will be responsible for implementing the crop and livestock production modules. The county Bureau of Agriculture, Agricultural Extension Stations, CBoF and their township agents will deliver technical training and extension services to farmers.
20. **Value-chain development and improved market access** will raise the incomes of poor rural households by linking them to remunerative markets. The emphasis is on niche products of ethnic minority farming systems that can strengthen indigenous biodiversity and culture. The priority commodities and value chains comprise: (a) annual and perennial cash crops; (b) Chinese medicinal plants; (c) indigenous livestock; and (d) crafts and textiles. The project will establish and strengthen business models that engage farmers in more stable, mutually beneficial arrangements with upstream chain actors. Contracts may include provision of

¹ A module is a small-scale set of interrelated activities aimed at achieving a specific objective that can be implemented independently of other modules and replicated.

inputs, technical assistance and negotiated prices and quantities for farm products. Contracting parties may be individual farm households or cooperatives on one side, and traders, specialist wholesalers, agroprocessing firms and supermarkets on the other. The project will specifically support: (a) production modules for target crops and livestock; (b) development of farmers' cooperatives; (c) value-chain development; (d) provincial- and prefecture-level coordination; and (e) establishment of a market information system.

21. The production modules here will be implemented in the same way as the previous component, while the county Bureau of Agriculture will be in charge of implementing the cooperative and value-chain development activities with the support of specialized service providers, including the private sector. The latter will help undertake market studies and prepare business plans, or provide technical assistance to specific crop and livestock production, storage and processing activities. Integration and enhancement of existing market information and linkage services will be jointly undertaken by the provincial Department of Agriculture (DoA) and China Mobile Limited.
22. **Project management and coordination** will involve establishment of an effective management and coordination structure in PMOs at provincial, county and township levels. A village implementing group (VIG) will be set up in each village to assist with coordination and implementation of project activities there.

III. Project implementation

A. Approach

23. The implementation approach of YARIP adapts the successful practices of IFAD projects in China. PMOs at provincial, county, and township levels will be responsible for planning, coordinating, monitoring and reporting. Implementation will remain with designated implementing agencies, which will ensure coordination with government activities. A VIG will be established in each village to ensure appropriate targeting, participatory planning, implementation, monitoring, and sustainable O&M of project outputs. Project implementation will emphasize synergies between activities and components, and be based on annual workplans and budgets (AWP/Bs), developed through participatory approaches. The project's targeting strategy involves the following: eligible counties and townships were identified through a participatory poverty analysis during design; priority will be given to poor and vulnerable groups; and inclusive targeting for community activities will be combined with focused targeting for production activities to ensure that benefits accrue to poor households.

B. Organizational framework

24. **The Ministry of Finance (MoF)** is IFAD's country counterpart. As the authorized representative of the borrower, it will receive the IFAD loan proceeds for YARIP and transfer them to the Department of Finance (DoF) of Yunnan Province, which will subsequently pass them on to the project counties. MoF will carry out its oversight responsibilities through DoF.
25. The lead project agency is the government of Yunnan Province through the provincial project leading group (PLG) for the overall coordination and supervision of project activities.
26. Project leading groups. PLGs are established at the province, prefecture, and county levels respectively by the province, prefecture and the counties where the project will be implemented. Each PLG will be led by a senior official of government of the same level and composed of representatives of the related departments/bureaux and institutions as appropriate. PLGs shall provide overall guidance and coordination support for project implementation at their respective levels. Their key responsibilities include: overall supervision of operations and project performance;

coordination of counterpart funds; review and approval of AWP/Bs and progress and financial reports; and coordination of implementing agencies.

27. **The Department and Bureaux of Finance (DoF/BoF)** will be responsible for operating project accounts, administering project resources, ensuring the effective flow and use of project resources, preparing withdrawal applications and reimbursing eligible project expenditures promptly.
28. **Project management offices.** The project will establish a provincial, county PMOs in the nine project counties and, where appropriate, a township PMO in each of the 45 townships in the project area. These are dedicated structures within existing BoA/PADO offices, and the New Countryside Construction Office for Mangshi County. Operations will be substantially decentralized to the county PMOs to ensure sustainability, with the provincial PMO performing overarching functions of planning, coordination, monitoring and reporting. County PMOs will be responsible for implementation at the county level. Township PMOs will support the county PMOs and implementing agencies, oversee VIGs, identify eligible villages, review village implementation plans and consolidate M&E data.

C. Planning, monitoring and evaluation, and learning and knowledge management

29. **Planning.** YARIP will follow the current practice of IFAD-funded projects in China in relying on AWP/Bs as a planning tool. Their preparation will be demand-driven and participatory, and will involve VIGs and the implementing agencies. They will describe the financial and physical progress made, planned project activities, the procurement plan for at least 18 months, and the implementation schedule by semester. The provincial PMO will consolidate the AWP/B and submit it to IFAD for approval. The first AWP/B will be submitted before project start-up. From the second year on, the provincial PMO will submit consolidated AWP/Bs to IFAD for comment before 31 October of each year.
30. **Monitoring and evaluation.** YARIP will adopt the M&E framework of IFAD in China, which is in line with IFAD's Results and Impact Management System (RIMS). Overall responsibility for M&E, and sharing lessons learned with all stakeholders, will be vested in the M&E specialists in provincial and county PMOs. Key M&E functions will include: regular M&E reviews; technical backstopping and continuous external support for reporting; and training of M&E officers. M&E results will guide preparation of the next AWP/B and adjustments to the logical framework.
31. **Learning and knowledge management.** The project knowledge management strategy will build on the experiences of IFAD projects in China. The provincial and county PMOs will be responsible for capturing and documenting lessons learned and organizing regular workshops to disseminate these for scaling up.

D. Financial management, procurement and governance

32. **Financial management.** The financial reporting and accounting practices currently followed by the DoF of Yunnan Province are acceptable to IFAD. A designated account (DA) will be opened by DoF in a bank acceptable to IFAD, through which all IFAD funding will be channelled. An agreed amount, approximately equal to eligible expenditures over the first six months, will be deposited into the DA once the financing agreement enters into force and all disbursement conditions are met.
33. Subsequent replenishments of the DA will be effected through withdrawal applications with supporting documents or statements of expenditures, in line with approved expenditures and IFAD procedures. Project accounts denominated in Chinese yuan will be opened in banks acceptable to the Fund and maintained by the provincial and county PMOs and county BoFs. Financing will flow from the DA, through the project accounts, to the implementing agencies, service providers and end users.

34. **Procurement.** Project procurement will follow national procedures when they are consistent with the IFAD Procurement Guidelines. To the extent possible, goods, civil works and consulting services financed by IFAD will be combined into sizeable packages to optimize competitive bidding. Procurement will be documented for ex-post review by IFAD and for audit purposes. Goods to be procured include vehicles, equipment and furniture. Vehicles will be procured through national competitive bidding, other items by national shopping. Civil works may be procured by means of either method. Technical services, training, workshops and studies will be procured by local shopping. Community participation in procurement may apply for some modules or activities.
35. **Auditing.** In line with article IX, section 9.03 of the General Conditions for Agricultural Development Financing of IFAD and IFAD Guidelines on Project Audits, the provincial and county audit bureaux, which are independent bodies under the respective government offices, will audit project accounts. They will review all statements of expenditure and consolidated financial statements, and issue an opinion on their eligibility. They will also review the efficiency of the flow of IFAD and counterpart funds. IFAD may engage independent auditors to audit project accounts and/or conduct visits, inspections and enquiries in accordance with section 10.03 of the General Conditions, to verify adherence to acceptable standards as required.

E. Supervision

36. To facilitate project implementation and ensure the achievement of its objectives, IFAD and the Government will perform regular reviews. Annual IFAD supervision missions, to the extent possible in consultation with the Government, will review: implementation progress and performance; fiduciary aspects; targeting and gender mainstreaming; results and impact; risks and opportunities; innovations and knowledge management; and sustainability. The first supervision mission will focus on: adherence to project strategies and institutional set-up issues, initial implementation arrangements, targeting and appropriateness of procurement, setting up of the M&E system; and financial management. It will include a team leader/institutional expert, a rural engineer, an agriculturalist, a cooperative and marketing expert, and a social scientist.

IV. Project costs, financing, benefits

A. Project costs

37. Total project costs over five years, including contingencies, are estimated at US\$94.0 million (table 1). Physical and price contingencies are approximately US\$4.22 million and US\$5.43 million, accounting for 5 and 6 per cent of project costs, respectively. Applicable direct and indirect taxes are estimated at US\$3.5 million and account for 3.7 per cent of project costs. Investment and recurrent costs are estimated to amount to 93 per cent and 7 per cent of project costs, respectively.

Table 1
Estimated project costs by component

	(CNY Million)			(US\$ Million)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
	1. Community Infrastructure	174.93	0.04	174.97	27.77	0.01	27.77	-
2. Agricultural Productivity Enhancement	201.62	0.05	201.67	32.00	0.01	32.01	-	38
3. Value Chain Development and Improved Market Access	99.59	0.17	99.75	15.81	0.03	15.83	-	19
4. Project management and coordination	53.40	1.62	55.02	8.48	0.26	8.73	3	10
Total BASELINE COSTS	529.54	1.87	531.41	84.05	0.30	84.35	-	100
Physical Contingencies	26.48	0.09	26.57	4.20	0.01	4.22	-	5
Price Contingencies	34.15	0.06	34.21	5.42	0.01	5.43	-	6
Total PROJECT COSTS	590.17	2.03	592.20	93.68	0.32	94.00	-	111

B. Project financing

38. The project will be financed by IFAD and the Government at an approximate ratio of 1:1.01 (table 2). The Government and IFAD will jointly fund project investment costs (including all module costs, vehicles, equipment and materials), and IFAD will finance all workshops, training and technical assistance. The Government will finance all recurrent costs. Beneficiaries will contribute labour for infrastructure O&M.

Table 2
Estimated project financing: Components by financier
(Millions of United States dollars)

	The Government		IFAD		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%			
	1. Community Infrastructure	15.07	48.6	15.91	51.4	30.99	33.0	0.01	29.45
2. Agricultural Productivity Enhancement	17.87	50.1	17.78	49.9	35.65	37.9	0.01	34.48	1.16
3. Value Chain Development and Improved Market Access	8.72	49.6	8.87	50.4	17.59	18.7	0.03	17.52	0.04
4. Project management and coordination	5.63	57.6	4.14	42.4	9.77	10.4	0.28	8.74	0.75
Total PROJECT COSTS	47.30	50.3	46.70	49.7	94.00	100.0	0.32	90.18	3.50

C. Summary benefit and economic analysis

39. **Beneficiaries and benefits.** Some 194,100 poor and vulnerable households will benefit, of which half are headed by women. Immediate project benefits will be increased revenue and food security from the yearly incremental production of over 55,000 metric tons (on nearly 10,000 ha) of cash crops, fruits and vegetables, plus large quantities of meat and fish. These increases will be achieved through the scaling up of niche and cash crops, improved irrigation and transport infrastructure, improved access to information and markets, better conditions for training and extension, and enhanced effectiveness of technical services. In addition, rural women and ethnic minorities in the project area will be empowered economically and socially. Other benefits include improved living conditions and health due to improved community infrastructure, sanitation and drinking water supply.
40. **Economic analysis.** The overall economic internal rate of return (EIRR) of the project is estimated at 25 per cent for the base case. Projected net present value of the net benefit stream, discounted at 8 per cent, is US\$120 million or CNY 745 million. Sensitivity analysis indicates that a 10 per cent increase in project costs would reduce the EIRR to about 24 per cent; and a 20 per cent cost overrun coupled with a 20 per cent decrease in benefits would reduce it to 17 per cent, while a delay of two years will have little effect on the EIRR. This indicates that the project is relatively robust (table 3).

Table 3
Estimated sensitivity analysis

<i>Scenario</i>	<i>EIRR (percentage)</i>	<i>NPV (US\$ million)</i>
Base case	25.3	119.73
Costs increased by 10 per cent	23.6	113.55
Costs increased by 20 per cent	22	107.38
Cost increased by 194 per cent	8	0
Benefits decreased by 10 per cent	23.2	100.92
Benefits decreased by 20 per cent	20.9	82.11
Benefits decreased by 63.6 per cent	8	0
Reducing benefits by 10 per cent, while increasing costs by 10 per cent	20.4	567.81
Reducing benefits by 20 per cent, while increasing costs by 20 per cent	16.7	404.00
Two-year delay in project start-up	25.3	608.36

D. Sustainability

41. The overall sustainability of YARIP is rated high, taking into account several built-in success factors: the continuing and increasing efforts of mainstream government poverty reduction programmes, which YARIP will complement; the seamless integration of PMOs into local government structures; the fact that provincial authorities gained experience implementing a former IFAD project; and high community ownership of project activities and infrastructure. In addition, clear sustainability strategies and approaches featured in the design include: (a) all civil works will be handed over to local government or communities for O&M, for which efforts are foreseen to establish and strengthen IMGs; (b) the crop and livestock development modules are highly appreciated by farmers, thus guaranteeing their scaling up; (c) supported cooperatives will operate under market conditions, draw on services from existing public operators, and work in partnership with private operators; and (d) implementation will be flexible, adopting a modular approach.

E. Risk identification and mitigation

42. Project design is based on the demands of potential beneficiaries. Activities are in line with government policies and strategies for poverty reduction and rural development. Thus major project risks will relate to: the rapidly changing market conditions for farmers' products and the broader economic environment; the results-oriented processes of implementation; and possible impacts of climate change. They will be mitigated to a great extent by the demand-driven nature and modular approach of the project, which will ensure continuous adjustments to address problems, and the adoption of climate-smart practices. Also, government programmes and institutions will step in to mitigate relevant risks if they arise. PMOs will play an important role in monitoring risks and in ensuring that those jeopardizing project success are addressed appropriately.

V. Corporate considerations

A. Compliance with IFAD policies

43. The YARIP design is in line with IFAD policies. Specifically: gender mainstreaming strategies have been designed in compliance with IFAD's policy on gender equality and women's empowerment; the poverty focus, particularly the criteria for selection of beneficiary villages and households, is in line with IFAD's targeting policy; participatory approaches for project planning are designed in harmony with IFAD's governance policy; the strategy for scaling up is consistent with IFAD policy; climate-related risks are analysed and measures to mitigate potential negative impacts of climate change are designed in keeping with IFAD's climate change

strategy; and potential negative environmental impacts have been analysed and mitigation measures designed according to IFAD's environment and natural resource management policy.

B. Alignment and harmonization

44. YARIP is aligned with the Government's twelfth five-year plan for 2011-2015, and with the 10-year rural poverty reduction and development programme for 2011-2020. The IFAD Strategic Framework 2011-2015 is also fully consistent with both the plan and the programme. The project will contribute to government endeavours to reduce rural poverty and promote agricultural development. It will follow local procurement and financial management procedures when they are in line with IFAD's own, in addition to using existing implementing units within the provincial and county governments.

C. Innovations and scaling up

45. The knowledge management strategy will build on the experiences of IFAD projects in China. PMOs will be responsible for capturing and documenting lessons, and for organizing regular workshops to disseminate best practices and innovations for scaling up. Plans to scale these up within the project area will be incorporated into the project's AWP/Bs. Development partners (government and others) will be encouraged to incorporate scaling up of the best practices and innovations into their own development plans. Ambitions of project partners regarding innovations will be screened systematically and periodically reassessed. Priority will be placed on identifying and mobilizing local sources of innovation.

D. Policy engagement

46. Under YARIP, IFAD will seek to build consultative frameworks with selected institutions to identify relevant topics and policy advisory actions for research and study. The key issues to be considered are: (a) promotion of niche products of ethnic minority farming systems that can strengthen indigenous biodiversity and culture; (b) support to farmers' groups and cooperatives in engaging on equal terms with other value-chain actors; (c) O&M of rural infrastructure; and (d) natural resource management within the context of climate change. IFAD will provide discussion inputs and set up discussion forums with the clear understanding that policymaking is an exclusively national responsibility.

VI. Legal instruments and authority

47. A project financing agreement between the People's Republic of China and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
48. The People's Republic of China is empowered under its laws to receive financing from IFAD.
49. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

VII. Recommendation

50. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the People's Republic of China in an amount equivalent to thirty million four hundred fifty thousand special drawing rights (SDR 30,450,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Yunnan Agricultural and Rural Improvement Project (YARIP)"

(Negotiations concluded on 6 December 2012)

Loan Number: _____

Project Title: Yunnan Agricultural and Rural Improvement Project (the "Project")

People's Republic of China (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

4. The amount of the Loan is thirty million four hundred and fifty thousand Special Drawing Rights (30 450 000 SDR).
5. The Loan is granted on ordinary terms and shall have a maturity period of eighteen (18) years including a grace period of five (5) years.
6. The Loan Service Payment Currency shall be the currency of the United States of America.
7. The first day of the applicable Fiscal Year shall be 1 January.
8. Payments of principal and interest shall be payable on each 15 June and 15 December.
9. There shall be a Designated Account denominated in US dollars opened and maintained by the Department of Finance (DOF) of the Yunnan Province in a Bank acceptable to the Fund through which the loan proceeds shall be channelled. DOF shall

be responsible for the Designated Account. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.

10. The Borrower shall cause the Government of Yunnan to provide counterpart financing for the Project in the amount equivalent to USD 47.3 million including all recurrent costs.

11. The Provincial Project Management Office (PPMO), County BOFs, all County Project Management Offices (CPMOs), Township Project Management Offices (TPMOs) and Implementing Agencies (IAs) shall maintain Project Accounts in local currency in Banks acceptable to IFAD to receive the proceeds of the financing and/or the counterpart funding.

Section C

12. The Lead Project Agency shall be the Government of the Yunnan Province through the Provincial Project Leading Group (PLG) for the overall coordination and supervision of the Project activities.

13. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

14. The Financing will be administered and the Project supervised by the Fund. In addition to supervision missions which shall normally be carried out every six (6) months, the Fund shall conduct a mid-term review to be carried out towards the third year of Project implementation.

Section E

15. The following are designated as additional conditions precedent to withdrawal:

- (a) The PPMO and at least one CPMO shall have been duly established and composed in accordance with Schedule 1, Section II and the respective Project staff shall have been selected;
- (b) The Borrower through the Lead Project Agency shall have caused the PPMO to submit, and the Fund shall have received, an official document confirming the availability of adequate counterpart funds for the first Project Year;
- (c) The Designated Account shall have been duly opened and the authorized signatories shall have been submitted to the Fund.

16. The following are designated as additional conditions for suspension:

The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

17. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Ministry of Finance
No. 3 Nansanxiang, Sanlihe, Xicheng District
Beijing 100820
People's Republic of China

Facsimile Number: +86 10 68551125
For the Fund:
International Fund for Agricultural development
Via Paolo di Dono, 44
00142 Rome, Italy

This Agreement, dated _____, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

PEOPLE'S REPUBLIC OF CHINA

[Name of Authorized Representative]
[Title]

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit men and women from rural households, with a focus on poor and vulnerable households, including ethnic minorities, in the following nine (9) counties of the Yunnan Province: Fuyuan, Shizong, Zhanyi, Gongshan, Fugong, Lushui, Lanping, Xinping and Mangshi (the "Project Area"). Any changes in the counties, the selection and changes of townships shall be agreed upon by the Borrower and the Fund.
2. *Goal.* The goal of the Project is rural development and poverty reduction in the Project Area.
3. *Objectives.* The specific Project objective is to increase revenues, improve family food security and strengthen the resilience of approximately 194 100 households in nine (9) counties, from improved agricultural production and rural infrastructure. By the end of Project implementation, the following results will have been achieved: incomes of the rural poor in targeted areas increased by approximately 25% at closing date; and approximately 70% of beneficiary households report improved food security as compared to the agreed baseline.
4. *Components.* In addition to the management and coordination, the Project shall consist of the following components: (a) community infrastructure improvement, (b) agricultural productivity enhancement, (c) value chain development and improved market access.

Component A - Community Infrastructure Improvement

The objective of this component is to improve rural living conditions and community environment, as well as to strengthen the economic capacities at community level, especially the productive and livelihood assets for expanded and improved agricultural production, decreased physical isolation and improve integration into the market value chains. The component will be achieved through the following activities:

- (a) Rehabilitation and development of village roads. The goal of this intervention is to improve the access of the rural poor to markets, information and technical services through the construction of village roads and rehabilitation of existing earthen roads in selected counties;
- (b) Water Supply Systems. The goal of this intervention is to improve the access of the rural poor to the sources of safe drinking water through rehabilitation and development of collective village water supply systems, the construction of one small water storage weir, water tanks and pipelines for water delivery and distribution in selected counties. Water Users Groups will be established to agree on design and implementation plan of the water supply systems and will ensure their maintenance and sustainability;
- (c) Sanitation and other facilities. The goal of this intervention is the rehabilitation of sanitation and other facilities such as public and private latrines, the construction of drainage ditches and waste treatment tanks. Activities will be carried out in selected counties. Village Maintenance Groups will be established to agree with the design and implementation plans prior to commencement of works and will ensure their maintenance and sustainability; and

- (d) Establishment and capacity building of Infrastructure Maintenance Groups. The goal of this intervention is to support the establishment and capacity building of various Infrastructure Maintenance Groups including Road Maintenance Groups, Water Users Groups and Village Maintenance Groups.

Component B - Agricultural Productivity Enhancement

The objective of this component is to enhance farmers' food security and increase farmers' household cash incomes through enhancing the overall productivity of farmers' crop and livestock production activities. The objective shall be achieved through the following sub-components:

- (a) Farmland Infrastructure Improvement sub-component shall support the improvement of agricultural production condition and farmers' resilience to climate variations and climate change through consolidation and leveling of farmland, rehabilitation and development of irrigation area and drainage area, the construction of on-farm access roads, farm bridges and culverts mainly within the irrigation and drainage schemes, the development of bio-gas facilities and the establishment and capacity building of Water Users Groups and their subordinate groups.
- (b) Support to Crop Production sub-component shall improve productivity of existing annual food crops or the introduction of new crops through demonstration and scaling-up of innovative crop production modules. Its interventions include: the change of cropping pattern for increasing land productivity, capacity building and training, provision of on-farm technical extension services with focus on demonstration of high productivity cultivation techniques, integrated pest management, and green and organic food production techniques.
- (c) Enhancing Livestock/Fishery Production sub-component shall support the improvement of feeding and the introduction of breeds with high productivity and strong market acceptability through: a livestock production module and a fishery production module.
- (d) Community Capacity Building Module includes activities for the construction of the village culture centre to be used as a platform for community capacity building and farmers' technical training activities, the procurement of necessary equipment, and the training of community leaders, women and farmers on various resource management and cooperatives development topics; and
- (e) Agricultural and Livestock Extension Service Module includes activities for the improvement of office equipment and physical conditions in order to optimize the service capacity and quality to farmers, and training of technical service staff in crop production and livestock breeding technologies.

Component C - Value Chain Development and Improved Market Access

The objective of this component is to raise the income of rural poor and vulnerable households in Project villages through the implementation of a value chain approach to linking organized producers to markets. It will emphasise the production and marketing of speciality or niche products that add value to indigenous biodiversity and culture. This component shall be achieved through the following sub-components:

- (a) Support to production modules for target crops and livestock sub-component shall support various production modules (such as perennial cash crops modules, herb medicine plant modules and landrace livestock modules) to be implemented in selected counties;
- (b) Support to cooperative development sub-component shall be achieved through the Cooperative Support Module and be implemented in selected counties. It shall support the establishment of new cooperatives, other organization forms/associations and the improvement of existing ones that need to become more inclusive of poor households. Activities under this module include capacity building, funding of market research and business plans, technical assistance, support investments in facilities and equipment;
- (c) Value chain development. Interventions comprised in this module include team and interest group formation, initial value chain assessments, market studies, value chain meetings and workshops, studies tours and visits, and action plan implementation by value chain actors as well as facilitation, mentoring and Monitoring and Evaluation (M&E) by IAs.
- (d) Provincial and Prefecture level support activities include institutional capacity building for Project management and County level IAs, in both cooperative development and valued chain facilitation areas, the establishment of a second-order federation of cooperatives, where appropriate, operation of a biodiversity advisory group in relevant areas, market research studies for certain products and zones, and enhancement of existing provincial mobile phone based market information systems; and
- (e) Market information systems shall be improved through the integration and enhancement of existing market information and market linkage services, the improvement of access of the target group to mobile phones, the provision of timely information and the exploration of innovative ways to use mobile phones to interact with the target group.

II. Implementation Arrangements

A. Organization and Management

1. *Lead Project Agency*

1.1. The Lead Project Agency shall be the Government of the Yunnan Province through the Provincial Project Leading Group (PLG) for the overall coordination and supervision of the Project.

2. *Project Leading Groups (PLGs)*

2.1. *Establishment.* PLGs shall be established at Province, Prefecture and County levels respectively by the Province, Prefecture and by each County where the Project will be implemented.

2.2. *Composition.* Each PLG will be led by a senior official of government of the same level and composed of representatives of relevant departments/bureaux and institutions as appropriate.

2.3. *Responsibilities.* PLGs shall provide overall guidance and coordination for Project implementation at their respective levels. Their responsibilities shall include: (i) overall supervision of Project Management Offices' (PMOs) operations, (ii) coordination of counterpart funds for carrying out the Project, (iii) review and approval of project Annual Work Plans and Budgets (AWPBs) and reports at their respective levels, and (iv) coordination of IAs in Project implementation and reporting.

3. *Provincial Project Management Office (PPMO)*

3.1. *Establishment.* A PPMO shall be established by the DOA and PADO who shall select one director and his/her deputies.

3.2. *Composition.* The PPMO shall be composed of the following key positions: a director, two deputy directors, an accountant, a cashier, a M&E officer, a planning officer, an implementation coordinator, and a gender coordinator. Qualified staff shall be selected by the DOA and PADO according to the Borrower's applicable procedures. Although the incumbent director and deputy directors of the PPMO may be substituted with prior approval of IFAD, those positions will be permanently retained by DOA and PADO and the functions shall not be rotated during the implementation of the Project. The terms and reference of the key PPMO positions shall be described in the PIM.

3.3. *Responsibilities.* The PPMO shall be responsible for coordinating Project implementation across the counties of the Project Area. Its responsibilities shall include: (i) consolidation of AWPBs, (ii) establishment of Project M&E system, (iii) monitoring and supervision of Project implementation, (iv) provision of appropriate training to CPMOs and IAs, (v) consolidation of Statements of Expenditures (SOEs), financial statements, and the preparation of Withdrawal Applications (WAs), (vi) revision of Project expenditures to ensure their eligibility, (vii) procurement under the Project, (viii) Project reporting, and (ix) promoting knowledge management.

4. *County Project Management Offices (CPMOs)*

4.1. *Establishment.* CPMOs shall be established in each County of the Project Area through an official document from the government. The CPMOs shall be located within the Bureaux of Agriculture (BOA), the County PADO and the New Countryside Construction Office for Mangshi County.

4.2. *Composition.* The CPMOs shall be composed of at least the following key positions: a director, a deputy director, an accountant, a cashier, a M&E officer, a planning officer, an implementation coordinator and a gender coordinator. Qualified staff shall be selected according to the Borrower's applicable procedures.

4.3. *Responsibilities.* The CPMOs shall be responsible for coordinating Project implementation at County level. Their responsibilities will include: (i) development of AWPBs through participatory approaches, (ii) monitoring and supervision of Project implementation, (iii) provision of appropriate training to IAs, TPMOs and Village Implementing Groups (VIGs) in terms of Project implementation, (iv) preparation of SOEs, financial statements and claim documents, (v) revision of Project expenditures to ensure their eligibility, (vi) transfer of Project funds to IAs, (vii) organising of Project procurement, (viii) Project reporting, (ix) undertaking Project Results and Impact Management System (RIMS) surveys, and (x) promoting project knowledge management.

5. *Township Project Management Offices (TPMOs)*

5.1. *Establishment.* Where appropriate, TPMOs shall be established by the Township governments through an official document from the government, in each Township of the Project Area utilising the existing local government facilities.

5.2. *Composition.* The local government shall assign qualified staff to the TPMOs.

5.3. *Responsibilities.* TPMOs will provide support to the CPMO and IAs for implementation of Project activities at village level on an as-required basis. Their responsibilities will include: (i) oversee the works of VIGs, (ii) identify eligible villages that could participate in Project activities, (iii) facilitate village-level participatory planning activities to determine what activities will be implemented in the villages, (iv) review village implementation work plans, (v) coordinate the Township technical stations/centres in Project implementation, (vi) consolidate the M&E data collected by VIGs and submit to CPMOs, and (vii) facilitate the liaison with target villages.

6. *Village Implementing Groups (VIGs)*

6.1. *Establishment.* A VIG shall be established by the local authorities with the support of the CPMOs in each selected village using as a basis the current village committee structure.

6.2. *Composition.* The VIG will be chaired by the Head of the village committee and shall include all existing village committee members and four (4) to five (5) elected farmer representatives from the three (3) different household categories in the Project Area such as women and other representatives of the poor and vulnerable target populations.

6.3. *Responsibilities.* The responsibilities of the VIGs will include: (i) participatory perceived well-being ranking of households within the village on a need basis, (ii) identifying Project modules and activities prioritized by eligible groups through participatory approach, and reporting to the PMOs for the development of AWPBs, (iii) organizing the poor and vulnerable households to participate in Project activities, (iv) assisting PMOs monitor Project implementation and collecting M&E data as required, and (v) organising the operation and maintenance of community infrastructure built by the Project.

B. Implementation of Components

7. *Component A - Community Infrastructure Improvement*

7.1. The activities under this component shall be implemented by the Bureau of Water Resources (BOWR) for the improvement of water supply systems as well as the Bureau of Health for the supervision and technical guidance of water quality control and monitoring. Water Users Groups to be established in respective villages will review system design and implementation plans.

7.2. The Bureau of Transportations (BOT) shall be responsible for the implementation of the village road activities. Road Maintenance Groups to be established in respective villages shall be consulted on detailed engineering design and implementation plans.

7.3. At village level, the VIGs will also be involved in the supervision and implementation of Project activities. The BOWR and BOT shall be responsible for the identification of eligible villages for their respective activities in accordance with the criteria set forth in the PIM, the design of the works by site, the formation of interest group for Project works, and reporting to CPMOs on the progress and results of implementation.

7.4. The sanitation and other facilities improvement interventions shall be implemented by the new Countryside Construction Offices at County level. The Bureau of Forestry at County level shall provide technical assistance and supervision of the implementation of ecosystem restoration piloting in Lushui County. Village Maintenance Groups to be established in respective villages shall be responsible for the maintenance of the constructions.

8. *Component B - Agricultural Productivity Enhancement*

8.1. The BOWR at County level shall be responsible for the implementation of the activities under the farmland infrastructure improvement sub-component and shall assume responsibility for technical guidance and supervision of the interventions. More specifically, the BOWR responsibilities shall include the technical review and clearance of detailed design of intervention, technical supervision of construction works, advice on the formation of Water Users Groups, capacity building and facilitation of the formulation and implementation of maintenance plans by each Water Users Group.

8.2. The CPMOs shall be responsible for the implementation of the modules under this sub-component including the identification of eligible villages in accordance with agreed selection criteria, the identification of target households giving priority to the poor, women and ethnic minorities, the selection and adjustment of the crops in the modules to fit local conditions with given criteria, technical support and follow-up services to beneficiaries on module activities, facilitation of the formation of beneficiary groups or farmers cooperatives and reporting to PPMO on the progress and results of implementation.

8.3. The County BOA, Agricultural Extension Station, County Bureau of Forestry and their Township agents shall deliver the technical training and extension services to farmers.

9. *Component C - Value Chain Development and Improved Market Access*

9.1. The BOA shall support cooperative and value chain development with a focus on cooperative establishment and strengthening. Service providers, including the private sector, shall be engaged as required to provide specific technical services related to the production, cooperative development and value chain development modules, such as undertaking market studies, preparing business plans and providing technical assistance.

9.2. The integration and enhancement of existing market information and linkage services shall be jointly undertaken by the DOA and an IA.

C. Project Implementation Manual

10. *Preparation.* The PPMO shall prepare a draft PIM. The draft PIM shall include, among other things:

- (i) Terms of reference and implementation responsibilities of Project staff, consultants and likely service providers, and IAs;
- (ii) Criteria for the performance appraisal of the Project professional staff;
- (iii) Targeting and selection criteria for participating townships, villages, cooperatives and other beneficiaries;
- (iv) Selection criteria for the implementation of Project activities such as those for infrastructure and constructions projects;
- (v) Project operational, financial procedures and procurement procedures, including an accounting software for bookkeeping and reporting, participatory planning, implementation and monitoring procedures;
- (vi) M&E system and procedures including RIMS; and
- (vii) Implementation modalities for all modules.

11. *Approval and Adoption.* The Lead Project Agency shall cause the PPMO to forward the draft PIM to the Fund for comments and approval. The Lead Project Agency shall adopt the PIM, substantially in the form approved by the Fund, and the Lead Project Agency shall promptly provide copies thereof to the Fund. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed approved.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage of total expenditures Total Costs
I. Civil works	16 300 000	51%
II. Vehicles, Equipment & Materials	600 000	80%
III. Training, Workshops, Technical assistance & Studies	2 350 000	100% Net of Taxes
IV. Agricultural Modules	5 510 000	50%
V. Market Modules	2 660 000	50%
Unallocated	3 030 000	
TOTAL	30 450 000	

(b) The terms used in the Table above are defined as follows:

“Vehicles, Equipment & Materials” under Category II, shall mean eligible expenditures incurred for vehicles, equipment and materials including furniture and office equipment such as computers, printers and phones.

“Agricultural Modules” under Category IV shall mean eligible expenditures incurred for supporting the improvement of agricultural and fishery production under Component B and C.

“Market Modules” under Category V shall mean eligible expenditures incurred for the implementation of activities in relation to market support and value chain development under Component C.

Logical framework

Narrative Summary	Verifiable Indicators ²	Means of Verification	Assumptions
GOAL³			
Rural development and poverty reduction in the targeted areas of Yunnan Province achieved	<ul style="list-style-type: none"> • 15 per cent drop in child malnutrition prevalence as compared to baseline (RIMS). • 25 per cent of HHs have improved asset ownership index compared to baseline (RIMS) 	<ul style="list-style-type: none"> • Government Statistics • RIMS 	
OBJECTIVES			
Increased incomes, enhanced food security, strengthened resilience, and improved habitats for 194,100 poor households achieved	<ul style="list-style-type: none"> • 70 per cent of HHs report improved food security as compared to baseline • Average incomes of the rural poor increase by 20 per cent by project year 5 	<ul style="list-style-type: none"> • RIMS and benchmark surveys; • Impact assessment. 	<ul style="list-style-type: none"> • Continued government support to poor rural areas; • Increased income improves assets; • Increased income of households leads to reducing child malnutrition.
OUTCOME BY COMPONENT (gender disaggregated)			
Component A: Community infrastructure: Improved living conditions for rural poor by developing community infrastructure (roads, water supply systems, sanitation and other facilities)	Outcomes: <ul style="list-style-type: none"> • 20 per cent reduction in weekly time for traveling to market by beneficiary households in villages with road interventions • 20 per cent reduction in weekly time for collecting water by beneficiary households in villages with drinking water supply interventions • 20,300 HHs report improved sanitation and other community environment facilities, of which around 50 per cent are women • Normative O&M carried out annually for infrastructure facilities by IMGs Outputs: <ul style="list-style-type: none"> • 367 kilometers of rural road constructed or rehabilitated • 47 water ponds, 165 km of pipelines and 1 small water storage weir constructed • 156 public latrines constructed • 114 infrastructure maintenance groups established and trained of which 40 per cent members are women 	<ul style="list-style-type: none"> • RIMS and benchmark surveys; • Project M&E reports; • Agricultural census data • Sector reports 	<ul style="list-style-type: none"> • Continued government investment for development of rural infrastructure • Rural infrastructure constructed meets government standards • VIGs are capable of organizing maintenance of community infrastructure.

² All targets refer achievements obtained by the end of the project implementation, unless stated otherwise.

³ Indicators for achievements of project goal to be confirmed and aligned with the 12th five year provincial poverty reduction plan, and baseline figures will be updated as soon as available.

Narrative Summary	Verifiable Indicators ²	Means of Verification	Assumptions
<p>Component B: Agricultural Productivity Enhancement: Improved agricultural productivity through irrigation and farmland development, improved access to services and development of crops and livestock.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> • 80 per cent of trained farmers adopt recommended technologies ; • Crop yields in irrigated areas increase by 15 per cent on average three years after project intervention • Crop yields in non-irrigated areas receiving extension and demonstrations increase by 10 per cent three years after project intervention • Normative O&M carried out annually for I&D systems by WUAs <p>Outputs:</p> <ul style="list-style-type: none"> • 196 ha of farmlands consolidated; • 242 km of irrigation and drainage canals and 201 km of irrigation pipelines developed; • 19 Water Users Associations established prior to respective I&D investments and trained, of which 40 per cent are women; • 124 km of on-farm access roads rehabilitated and developed; • 4,700 households participating in production modules, including crops, livestock and fishery modules. 	<ul style="list-style-type: none"> • RIMS and surveys; • Project M&E reports; • Sector reports. 	<ul style="list-style-type: none"> • Continued government investment in irrigation and drainage development • Farmers adopt recommended technologies and practices • Recommended technologies are effective in increasing production;
<p>Component C: Market Support and Value Chain Development: Improved market access and value chain of rural poor.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> • 90 per cent of targeted cooperatives and project value chains are operational after 3 years; • 80 per cent of cooperative members report increased income through cooperatives <p>Outputs:</p> <ul style="list-style-type: none"> • 9,040 households supported under crops, medicinal herbs, and livestock modules. • 78 cooperatives and women’s groups supported, with 15,500 member households by project end, including investment in equipment and facilities • 36 value chains together with cooperatives facilitated and linked to growth markets, with 28,800 beneficiary households; • Implementing agency staff trained (provincial and county) in value chain and cooperative development. • 1 federation of cooperatives and 1 biodiversity advisory group established and operational for niche/biodiversity products • Market information system developed in cooperation with China Mobile 	<ul style="list-style-type: none"> • - RIMS and benchmark surveys; • - Project M&E reports; • Agriculture and livestock reports • Sector reports. 	<ul style="list-style-type: none"> • Continued government support for farmer cooperatives • Service function of cooperatives recognized by farmers; • Existing farmer cooperatives participate in project activities. • Other chain actors operate in good faith with cooperatives in the value chain development process • Markets for target products continue to expand, prices stable or increase. • Improved rural investments are maintained by local authorities/beneficiaries. • Provincial and county staff participate in training and implement participatory methodologies and best practices.