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Investing in rural people

## President's report

### Proposed loan to the People's Republic of China for the Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

#### Note to Executive Board representatives

##### Focal points:

##### Technical questions:

Matteo Marchisio  
Country Director  
Asia and the Pacific Division  
Tel.: +86 108 532 8977  
e-mail: m.marchisio@ifad.org

##### Dispatch of documentation:

Alessandra Zusi Bergés  
Senior Governing Bodies Officer  
Governing Bodies  
Tel.: +39 06 5459 2092  
e-mail: gb@ifad.org

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For: Approval

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## Abbreviations and acronyms

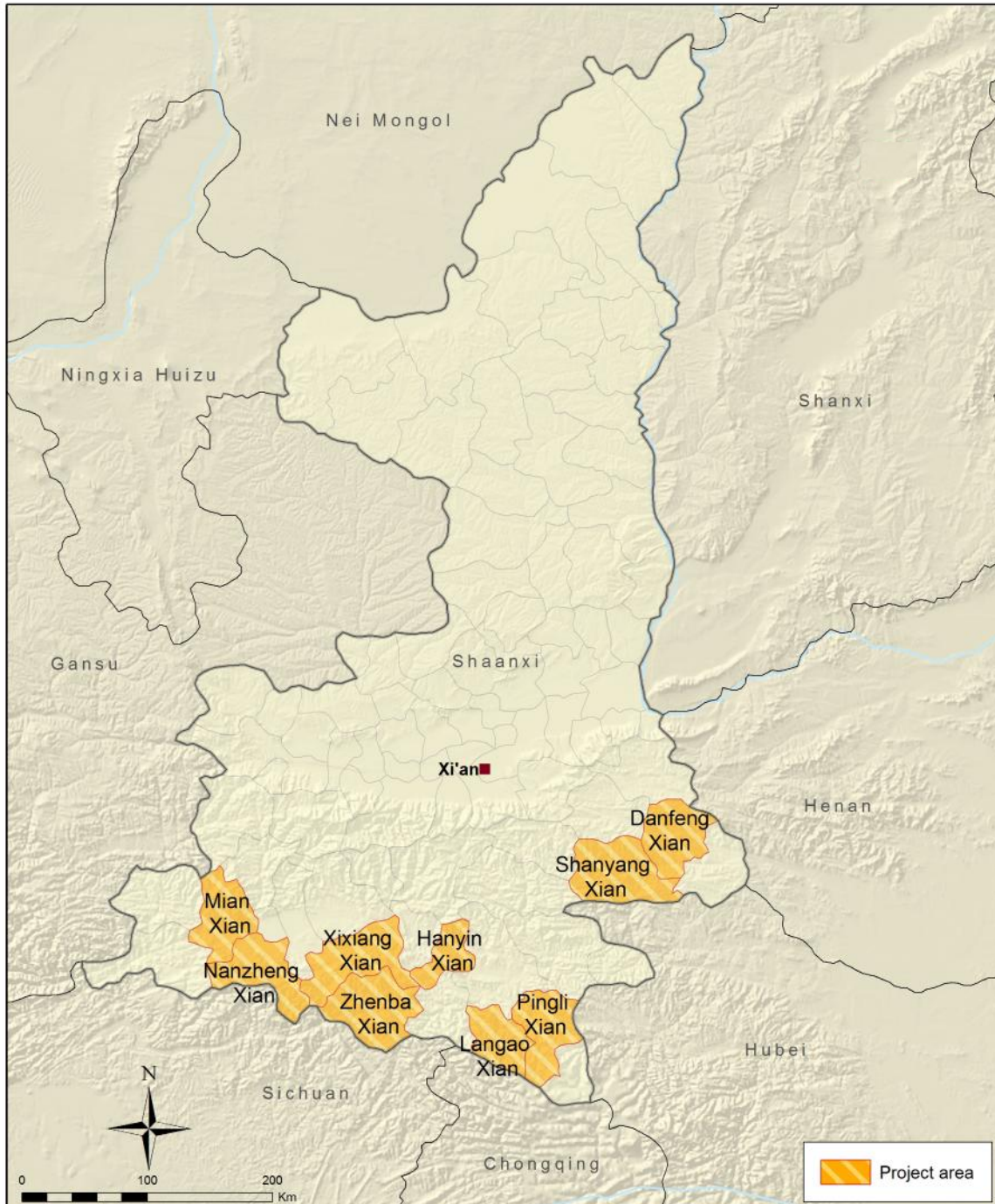
AWPB	annual workplan and budget
CFS	Committee on World Food Security
COSOP	country strategic opportunities programme
DOF	Department of Finance
EIRR	economic internal rate of return
M&E	monitoring and evaluation
PLG	project leading group
PMO	project management office
PPMO	provincial project management office
PDRC	Provincial Development and Reform Commission
SECAP	Social, Environmental and Climate Assessment Procedures
SPRAD-SS	Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

## Map of the project area

### People's Republic of China

#### Sustaining Poverty Reduction through Agribusiness development in South Shaanxi

*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 | 04-04-2018

## People's Republic of China

### Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	People's Republic of China
<b>Executing agency:</b>	Shaanxi Provincial Development Reform Commission
<b>Total project cost:</b>	US\$256.7 million
<b>Amount of IFAD loan:</b>	US\$72.0 million
<b>Terms of IFAD loan:</b>	Ordinary: Maturity period of 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
<b>Cofinancier(s):</b>	Enterprises and cooperatives
<b>Amount of cofinancing:</b>	US\$101.9 million
<b>Contribution of borrower:</b>	US\$79.5 million
<b>Contribution of beneficiaries:</b>	US\$3.3 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	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 Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project, as contained in paragraph 47.

## Proposed loan to the People's Republic of China for the Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

### I. Strategic context and rationale

#### A. Country and rural development and poverty context

1. Economic and rural development context. China has experienced over 30 years of significant economic growth, which triggered rapid rural transformation and successful agricultural development, and has contributed to drastically reducing poverty. However, at the end of 2016, some 43 million people in rural areas still lived below the poverty line.
2. Poverty context. Rural poverty in China is largely concentrated in the remote and mountainous areas of the central and western regions. Poor community infrastructure and facilities, a limited asset base and access to productive assets, and remoteness are among the main causes of poverty. Lack of capacity and/or limited access to markets and financial resources are the main factors constraining current poverty reduction efforts.
3. Agricultural development context – emerging opportunities for smallholder agriculture. Despite its rapid transformation, the agricultural sector remains predominantly characterized by smallholder farming, particularly in the mountainous areas where most of the poor live. The rising demand for high-value agricultural products (e.g. fruit, vegetables and niche products) and the spread of technological innovations (e.g. cellular phone coverage and electronic marketing platforms) have opened up new opportunities for smallholders because high-value products are more labour-intensive and generate higher returns per hectare. Similarly, rising consumer demand for food quality and food safety offers new market opportunities to smallholders, provided that they can adjust their production systems to the required scale, quality and safety standards.

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

4. Rationale for the project. Bringing the country's remaining 43 million poor people out of poverty by 2020, and sustaining this achievement in subsequent years, is the Government's main priority in the current Five-Year Plan (2016-2020). Poverty reduction through agribusiness development (chanyefupin) is one of the five poverty reduction strategies promoted by the Government. Shaanxi Province is a priority area for poverty reduction, as poverty is prevalent in remote areas, especially in the southern hills of the province.<sup>1</sup> The justification of the project lies in the need to address the challenges and risks, and realize the opportunities arising as a result of the implementation of the Government's poverty eradication strategy. This will be achieved by upgrading rural infrastructure and promoting development of agribusinesses and rural financial services. The project

<sup>1</sup> About 29 per cent of the population of the project area are poor, which is more than double the provincial poverty rate (12 per cent), and about five times greater than the national poverty rate (6 per cent). Furthermore, the project area includes many of the poorest townships and villages, meaning that the remainder of the project's direct target group is mostly made up of the near poor and individuals who have recently moved out of poverty.

strategy revolves around: (i) improving existing infrastructure in target communities; (ii) diversifying small scale agriculture on both the supply side (enlarged range of crops and products) and the marketing channel side (enlarged range of value chain models); and (iii) responding to rising urban demand by increasing the supply of safe, high-quality smallholder produce to secure part of this new market and penetrate the growing niche market for certified, geographically branded food.

5. Alignment with national priorities and strategies. The proposed project is well aligned with the national priorities and strategies as it will: (i) contribute to the Government's goal of eradicating rural poverty by 2020 and sustaining this achievement in subsequent years. Specifically, the proposed project will support Shaanxi Province in implementing its provincial poverty reduction strategies and achieving its poverty reduction targets; (ii) promote poverty reduction through agribusiness development, one of the Government's key poverty reduction strategies; (iii) leverage significant private sector capital and knowledge through public-private partnerships;<sup>2</sup> and (iv) promote environmental sustainability, in line with the Government's goals of ecological civilization and ecologically-balanced development.
6. Alignment with the country strategic opportunities programme (COSOP) 2016-2020. The Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project (SPRAD-SS) is the second investment operation to be designed under the current COSOP. It reflects the recent trend of focusing IFAD support on enhancing income-generating opportunities and increasing resilience; and placing more emphasis on market access, value chain development and resilience to climate change. The proposed project supports strategic objectives 1 and 2 of the COSOP, particularly in relation to improved access to physical assets, markets, financial services, and increased income-generating capacity-building and impact on poverty eradication. The project design draws on the experience acquired from previous and ongoing IFAD projects in China, particularly the Qinghai Liupan Mountain Area Poverty Reduction Project, Shiyao Smallholder Agribusiness Development Project and Jiangxi Mountainous Areas Agribusiness Promotion Project. It is also informed by the design of the Innovative Poverty Reduction Programme – Specialized Agribusiness Development in Sichuan and Ningxia, including lessons learned about participatory planning, targeting, gender mainstreaming, monitoring and evaluation (M&E), and management and coordination of implementation.
7. Alignment with IFAD's Strategic Framework 2016-2025. The project's objective and activities are in line with the goals and objectives of IFAD's Strategic Framework 2016-2025, particularly strategic objective 2 (increase poor rural people's benefits from market participation) and strategic objective 3 (strengthen the environmental sustainability and climate resilience of poor rural people's economic activities).
8. Alignment with and contribution to the Sustainable Development Goals and agenda of the Rome-based agencies. The project will contribute to the realization of the 2030 Agenda, and SDG1 (end poverty in all its forms everywhere), SDG2 (end hunger, achieve food security and improved nutrition and promote sustainable agriculture), SDG5 (achieve gender equality and empower all women and girls), SDG10 (reduce inequality within and among countries), SDG13 (take urgent action to combat climate change and its impacts) and SDG15 (sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss). The project's objectives and activities are also consistent with the recommendations of the Committee on World Food Security (CFS) on linking smallholders to markets. Project activities in the sphere of

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<sup>2</sup> This includes planned collaboration with Alibaba Group (Ant Financial, Rural Taobao, and China Insurance).

increasing food safety will be implemented in collaboration with FAO to the maximum possible extent.

## II. Project description

### A. Project area and target group

9. The project will be implemented in nine nationally designated poor counties within the three municipalities of Hanzhong, Ankang, and Shangluo in the Qinba Mountains in south Shaanxi Province (i.e. Zhenba, Nanzheng, Xixiang and Mianxian counties in Hanzhong Prefecture; Hanyin, Pingli and Langao counties in Ankang Prefecture; and Danfeng and Shanyang counties in Shangluo Prefecture). Within these nine counties, the project area covers 102 of the 139 townships, some 924 of the 1,699 administrative villages, and 578 of the 911 nationally designated poor villages (63 per cent).

#### Targeting strategy

10. Geographical targeting. The project will target townships and villages according to the following criteria: (i) their location within nationally designated poor counties; (ii) higher than average poverty incidence at township and administrative village level; (iii) suitability for promoting market-oriented production of crops and livestock products with market potential and agro-environmental potential; (iv) villages whose inhabitants have a strong commitment to small-scale agriculture; and (v) geographical contiguity to ensure economies of scale. Priority will be given to the ethnic minority communities.
11. Target group. Within the targeted villages, the project will specifically target, either directly or through self-targeting, the nationally registered poor, giving priority to those eligible for the "poverty reduction through agribusiness enterprise development" and "rural financial services" poverty eradication pathways (see rationale). In all, the project will target approximately 339,561 individuals, and will directly benefit some 99,732 nationally registered poor residing in the project area (36 per cent of project's direct beneficiaries).
12. Women and gender. The project follows a strategy to support women's inclusion in agribusiness, reduce their marginalization and workload, and strengthen their participation in project design, implementation, and M&E. Their inclusion will be supported by: (a) including gender eligibility criteria in the business plan selection process, (b) involving women in village implementation groups, and (c) providing gender awareness training.

### B. Project development objective

13. The development objective is to move the target population out of poverty – and ensure that they stay out of poverty – in selected areas through the development of inclusive, equitable and sustainable value chains.

### C. Components/outcomes

14. The project has three components: (a) pro-poor value chain and agribusiness development; (b) public infrastructure and services; and (c) project management and coordination.
15. Component 1: Pro-poor value chain and agribusiness development. This component will promote the sustainable inclusion targeted poor households in profitable value chains by engaging with agribusiness entities (enterprises or cooperatives) on a fair and mutually beneficial basis conducive to poverty reduction. The component comprises three subcomponents:
  - 1.1 Development of pro-poor business plans to provide the necessary technical support to develop profitable, equitable and inclusive business plans;



- 1.2 A value chain development fund to finance viable and inclusive business plans, leveraging public and private funds; and
  - 1.3 Value chain finance development to improve access to finance for suitable value chain and business plan proposals.
16. Component 2: Public infrastructure and services. This component will entail improving access to public goods and services (common/village infrastructure, access to climate change adaptation/mitigation best practices, and normative and regulatory services associated with food safety) in the project area through a combination of physical improvements, institutional strengthening, technical assistance and policy advice to promote sustainable, climate-resilient and safe agricultural food production. The component comprises two subcomponents:
- 2.1 Climate-smart infrastructure development, aimed at promoting a climate-resilient production basis; and
  - 2.2 Public services and regulations for pro-poor agribusiness development, aimed at enhancing capacity for dissemination of agricultural and food safety knowledge.
17. Component 3: Project management and coordination. This component will support the planning, coordinating, monitoring, reporting and overall management functions of the project management offices (PMOs) at provincial and county level.

### III. Project implementation

#### A. Approach

18. The project will be implemented over five years and its approach will have the following key features:
- (i) Focus on agribusiness entities. The project will focus primarily on agribusiness entities (i.e. agribusiness enterprises, cooperatives and family farms) as the main entry point to markets for poor farmers or farmers who have recently moved out of poverty. Selected agribusiness entities will receive support and incentives to expand their business by engaging with the project's primary target group, through fair and mutually beneficial contractual arrangements. Farmers will be supported by project activities only on the condition that they are contractually linked to agribusiness entities.
  - (ii) Focus on cost-effectiveness. Project activities will be selected following cost-effectiveness criteria, i.e. they must ensure maximum outreach at minimum cost.
  - (iii) Adoption of business plans as a tool to support pro-poor value chains. The project will cofinance competitively selected business plans as a means of efficiently allocating public resources to agribusiness entities in combination with private funds (from the agribusiness and financial sector) to promote the inclusion of the target group in sustainable and profitable value chains through mutually beneficial contractual arrangements. The project will tap into the expertise and market knowledge of the private sector, both at national and at local level, to identify, select and support value chains and pro-poor agribusiness activities.

- (iv) Complementarity between public and private funds. The project is expected to use public funds to leverage resources in the market (from agribusiness and the financial sector). This will be achieved by cofinancing viable and pro-poor business plans presented by agribusiness entities.

## B. Organizational framework

19. Lead implementing agency. The Provincial Development and Reform Commission (PDRC) will take the lead role in project coordination and management. The PDRC will establish a project management office (PMO) to be responsible for project design, management, supervision, administration of project resources, and M&E.
20. Implementation arrangements. Project leading groups (PLGs) will be established at provincial level and in each project county to provide overall guidance and coordinate project implementation. The key responsibilities of the PLG at each level will be: (i) overall supervision of project management office (PMO) operations; (ii) coordination of counterpart funds; (iii) review and approval of the project's annual workplans and budgets (AWPBs); (iv) coordination of implementing agencies; and (v) general oversight to address key project issues.
21. The PMOs will be established by the PLGs at provincial and county level and located in the appropriate agencies at the respective level. The PMOs will focus on planning, coordinating, monitoring and reporting under the guidance of the associated PLG.

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

22. Planning. The annual workplan and budget, reflecting planned activities and budget requirements for each year of project implementation, will be the main management tool for project planning and implementation.
23. Monitoring and evaluation. The project will establish an effective and efficient M&E system encompassing all levels, from provincial PMOs to county PMOs to the townships. The system will operate in line with IFAD's M&E Guide, building as much as possible on existing national and provincial M&E systems, statistics and databases.
24. Management information system (MIS). The project will design an MIS tailored to its specific needs, building on positive past experience from World Bank-financed projects. The MIS will have three subsystems that integrate information and allow for real-time reporting.
25. Knowledge management. The provincial project management office (PPMO) and the county PMOs will be responsible for capturing and documenting experiences, successful cases and innovations resulting from project implementation and for disseminating knowledge. Plans for scaling up successful cases and innovations within the project area will be incorporated into the AWPBs. Local governments will be encouraged to incorporate scaling up of successful ventures into their own local development plans.

## D. Financial management, procurement and governance

26. Loan repayment and project resource responsibilities. The Ministry of Finance will be the responsible agency for repayment of the loan in subsequent arrangements with Shaanxi Province. The loan proceeds will be lent by the Ministry of Finance to the Shaanxi Province Department of Finance (DOF). The loan proceeds will then be channelled to county finance departments, on the same terms and conditions without additional charges.

27. Flow of funds. A designated account denominated in United States dollars will be opened for the IFAD loan, through which the IFAD funding will be channelled. The account will be set up at and managed by the DOF. The DOF will be directly responsible for: (i) management, maintenance and reconciliation of the designated account movements; (ii) administration of project resources; (iii) effective flow of funds for project implementation; (iv) provision of appropriate financial management training to the financial officers of the PMOs; and (v) preparation of withdrawal applications and ensuring timely reimbursement of eligible project expenditures.
28. Retroactive financing. Provision is made for retroactive financing of up to US\$7.2 million for eligible expenditures incurred with effect from 29 November 2017 until the entry into force of the financing agreement. This financing will cover: (i) purchase of essential items (including equipment and procurement of necessary software for the PMOs; (ii) recruitment of project staff; (iii) costs related to tendering, selection and recruitment of service providers; (iv) costs related to the finalization of the project implementation manual, customization of accounting software to fit IFAD requirements and licence fees, induction training and workshops; (v) establishment of the M&E system, including conduct of the baseline survey and development of the MIS; (vi) exposure visits for sharing of knowledge and experiences; (vii) surveys and feasibility studies; (viii) training and technical assistance for cooperatives, including recruitment of service providers, cooperative support field officers, technical advisers for development of business plans, brokers/facilitators for linkages with supermarkets, and value chain and M&E officers; and (ix) business plans. Retroactive expenditures are prefinanced by the Government at its own risk.
29. Financing of taxes. The IFAD General Conditions for Agricultural Development Financing were amended in 2009 to allow the proceeds of IFAD's financing to be used to finance taxes that are not "excessive, discriminatory or otherwise unreasonable" (section 11.01(c)). The borrower has informed IFAD that it is impractical to exempt the project from certain taxes. In addition, the World Bank's Country Financing Parameters permit the financing of such taxes for a similar project. For the sake of efficient flow of funds and better support to project implementation, IFAD's financing will be used to finance taxes of approximately US\$6.9 million.
30. IFAD Client Portal. The project will be included in the IFAD Client Portal.
31. Procurement. Procurement of goods, works and services financed by the project will be carried out in accordance with the Procurement Law of the People's Republic of China (2002) and its amendments to the extent that they are consistent with the provisions of IFAD's Project Procurement Guidelines and Handbook (2010) and its amendments. The procurement methods to be applied will depend on the expenditure and the estimated value of the contract. The thresholds suggested for different procurement methods, to be applied in specific cases, will be detailed in the letter to the borrower.
32. Governance. Based on the results of the financial management assessment carried out for this project, the current organizational structure of the implementing agencies is considered appropriate. The funds flow arrangements are considered conducive to proper implementation. The necessary accounting standards, policies, procedures, asset management, budgeting, audit, reporting and accounting systems are in place. The overall financial risk for the project is rated as medium.

## E. Supervision

33. The project will be directly supervised by IFAD. In order to facilitate project implementation and ensure the achievement of project objectives, IFAD and the Government will undertake annual supervision missions, a midterm review and a completion review.

## IV. Project costs, financing, and benefits

### A. Project costs

34. The total project cost is estimated at US\$257 million, including contingencies, but excluding expected resources leveraged from financial institutions. Project costs are organized into three components: (i) pro-poor value chain and agribusiness development (70 per cent of baseline costs); (ii) public infrastructure and services (27 per cent of baseline costs); and (iii) project management and coordination (2 per cent of baseline costs). Investment and recurrent costs amount to 98 per cent and 2 per cent of the total project cost respectively. Costs per component are summarized in table 1.

Table 1  
**Project costs by component and financier**  
 (Millions of United States dollars)

Components	IFAD loan		IFAD grant		Other cofinanciers		Beneficiaries		Borrower/ counterpart		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	
<b>1. Pro-poor value chain and agribusiness development</b>	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Development of pro-poor business plans	2.2	100.0	-	-	-	-	-	-	-	-	-	2.2
1.2 Value chain development fund	63.8	37.8	-	-	101.9	60.3	3.3	2.0	-	-	-	169.0
1.3 Value chain finance development	1.7	27.6	-	-	-	-	-	-	4.5	72.4	-	6.2
<b>Subtotal</b>	<b>67.7</b>	<b>38.2</b>	<b>-</b>	<b>-</b>	<b>101.9</b>	<b>57.4</b>	<b>3.3</b>	<b>1.9</b>	<b>4.5</b>	<b>2.5</b>	<b>-</b>	<b>177.5</b>
<b>2. Public infrastructure and services</b>	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Climate resilience infrastructure development	-	-	-	-	-	-	-	-	70.7	100.0	-	70.7
2.2 Public services development	1.3	100.0	-	-	-	-	-	-	-	-	-	1.3
<b>Subtotal</b>	<b>1.3</b>	<b>1.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70.7</b>	<b>98.2</b>	<b>-</b>	<b>71.9</b>
<b>3. Project management and coordination</b>	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Project management	1.7	28.0	-	-	-	-	-	-	4.4	72.0	-	6.0
3.2 M&E	1.0	100.0	-	-	-	-	-	-	-	-	-	1.0
3.3 Knowledge management	0.3	100.0	-	-	-	-	-	-	-	-	-	0.3
<b>Subtotal</b>	<b>3.0</b>	<b>40.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.4</b>	<b>59.3</b>	<b>-</b>	<b>7.3</b>
<b>Total</b>	<b>72.0</b>	<b>28.0</b>	<b>-</b>	<b>-</b>	<b>101.9</b>	<b>39.7</b>	<b>3.3</b>	<b>1.3</b>	<b>79.5</b>	<b>31</b>	<b>-</b>	<b>256.7</b>

## B. Project financing

35. IFAD will contribute US\$72 million (28 per cent of the total cost) to the project. The Government will contribute US\$79.5 million (31 per cent of the total cost) and participating enterprises and cooperatives are expected to contribute approximately US\$101.9 million (40 per cent of the total cost) as required cofinancing for the business plans (mostly for works, equipment and materials for post-harvest investments). The beneficiaries' contribution will be approximately US\$3.3 million (1.3 per cent of the total cost) for the acquisition of farm inputs and small equipment. The IFAD loan has a cofinancing ratio of 1:2.57. Costs by expenditure account are presented in table 2.

Table 2

### Project costs by expenditure category and financier

(Millions of United States dollars)

Component	IFAD loan		IFAD grant		Other cofinanciers		Beneficiaries		Borrower/ counterpart		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
1.Consultancies	16.9	93.8	-	-	-	-	1.1	6.1	-	0.1	18.0
2.Operating	-	-	-	-	-	-	-	-	4.6	100.0	4.6
3.Government	-	-	-	-	-	-	-	-	-	-	-
4.Goods, services and inputs	21.1	75.3	-	-	-	-	2.2	7.9	4.7	16.8	28.1
5.Works	14.2	11.2	-	-	42.7	33.6	-	-	70.2	55.2	127.1
6.Equipment and materials	19.7	25.0	-	-	59.2	75.0	-	-	-	-	79.0
<b>Total</b>	<b>72.0</b>	<b>28.0</b>	<b>-</b>	<b>-</b>	<b>101.9</b>	<b>39.7</b>	<b>3.3</b>	<b>1.3</b>	<b>79.5</b>	<b>31.0</b>	<b>256.7</b>

## C. Summary benefit and economic analysis

36. The project is an economically viable investment: the net present value of the net benefit stream, discounted at 8 per cent, is RMB 103 million (US\$15.5 million) producing an economic internal rate of return of 8.7 per cent for the base case scenario. The results of the sensitivity analysis suggest that the project is relatively resilient with respect to output price decreases, input cost increases and implementation delays.

## D. Sustainability

37. Several elements of the project will promote post-project sustainability of the supported activities and benefits: (i) economic viability of the project, as suggested by the results of the economic analysis; (ii) project activities and target group are in line with the Government's poverty reduction strategy and priorities. It is thus expected that the Government will continue to support the development of the project area to prevent the target group from falling back into poverty after project completion; (iii) financial viability will be a criterion for the selection of the business plans to be financed by the project; (iv) institutional sustainability – the project activities are being implemented by permanent government institutions or existing service providers in the project area; and (v) environmental sustainability – the project activities are designed not to harm the environment, and will possibly enhance environmental sustainability and reduce the negative impacts of climate change.

## E. Risk identification and mitigation

38. The project has been developed drawing on lessons learned from numerous IFAD-funded and other donor-funded projects. These lessons have been used to mitigate the following risks:

- Insufficient attention to post-production/marketing. This risk has been mitigated by emphasizing the post-production phase and developing agricultural value chains that promote equitable organizational arrangements

and a variety of channels that allow farmers to take advantage of market opportunities, thus generating increased incomes for the target households;

- Direct support to “dragon head enterprises” producing mixed results in terms of poverty reduction. This risk has been mitigated by adopting key criteria for the selection of the enterprises to be supported, including outreach to the target group (poor farmers), and establishing fair contractual arrangements with the primary target group;
- Insufficient poverty coverage by business plans. This risk has been mitigated by including a minimum quota of the registered poor in implementation of the business plans, increasing the number of beneficiaries involved in the business plans, and providing technical assistance to beneficiaries to enable them to meet the required quality standards;
- Repayment risk. It has been agreed that project resources to cofinance business plans will be provided to the selected agribusiness entities in the form of a grant (i.e. the recipient agribusiness will not have to repay the project resources received to cofinance its business plan); and
- Limited understanding of the value chain development approach and experience/capacity to implement it. This risk has been mitigated through greater support to staff and implementing partners at start-up to familiarize them with the concept of value chain development and the project implementation manual. Technical assistance will be provided to facilitate successful implementation of the value chain component and linkages will be pursued with ongoing or future initiatives to strengthen the capacity of service providers to provide the required services (e.g. with regional grants for scaling up pro-poor value chain projects).

## V. Corporate considerations

### A. Compliance with IFAD policies

39. The project is in line with IFAD policies, specifically: (i) a specific gender mainstreaming strategy has been designed in compliance with IFAD’s gender policy; (ii) the project’s poverty focus – particularly with regard to selection of the target area, the target beneficiaries and the business plans – is in line with IFAD’s targeting strategy; (iii) the project’s scaling-up strategy is in line with IFAD’s operational framework for scaling up results; (iv) the design of subcomponent 1.3 on rural finance is in line with the six guiding principles outlined in the IFAD rural finance policy; and (v) the project design complies with IFAD’s new Social, Environmental and Climate Assessment Procedures (SECAP). Specifically, a SECAP note has been prepared, an environment and social management framework created, and a climate change vulnerability assessment carried out as part of the design process.

### B. Alignment and harmonization

40. As highlighted in section I.B, the project’s overall objective of contributing to poverty reduction through agribusiness and infrastructure development, using business plans as the main development tools, is well aligned with key national and provincial priorities and strategies, including China’s Poverty Reduction Outline 2011-2020, the 13<sup>th</sup> Five-Year Plan, China’s No. 1 Central Document and poverty alleviation strategies for Shaanxi Province. The project’s objective and activities will contribute to the 2030 Agenda and the recommendations of CFS. The overall project approach is consistent with those of other development agencies operating in the country, and particularly the four most recent poverty alleviation projects funded by the World Bank in China.

## C. Innovations and scaling up

41. Innovations. The project will introduce the following operational innovations: (i) promoting large-scale e-commerce among project beneficiaries; (ii) introducing improved food safety systems in line with international standards; (iii) piloting geographical indication as a marketing tool for specific regional products; and (iv) taking full advantage of electronic platforms (e.g. Internet, mobile phones and branchless banking) for e-commerce, rural finance, agricultural extension and project M&E. Institutional innovations include (i) the competitive mechanism to identify, select and support viable agribusiness-led business plans, blending public and private funds for rural poverty reduction; and (ii) partnership with Ant Financial (part of the Alibaba Group) to leverage its capacity and resources and facilitate access of the beneficiaries to e-commerce and other financial services.
42. Scaling up. The project will prioritize testing and, if successful, scaling up of a sustainable poverty reduction model through agribusiness development and facilitation of access to rural finance. Champions would include the International Poverty Reduction Centre in China under the State Council Leading Group Office of Poverty Alleviation and Development and the National Development Reform Commission. The scaling-up framework will rely on a mix of (i) market-driven forces; (ii) government policy interventions related to poverty eradication; and (iii) national projects promoting value chain development. In terms of incentives, the private sector will be able to engage directly with smallholders as the main providers of raw agricultural products, and the smallholders will be able to obtain premium prices for safe, quality and e-traded food and guaranteed markets for specific products. The scaling-up process will be as follows: (i) successful implementation of SPRAD-SS leading to sustainable poverty reduction through value chain development; (ii) monitoring and impact evaluation at the project level; (iii) learning and stocktaking at the IFAD country programme level; and (iv) identification of leveraging measures within government, private sector, development partners and unions and federations of cooperatives. IFAD's role will be to provide the necessary expertise, contribute to the monitoring of results and the knowledge management process with a view to catalysing the scaling-up process.

## D. Policy engagement

43. Several approaches introduced or piloted by the project have the potential to inform policymaking, including (i) pursuing poverty reduction through agribusiness development; (ii) piloting geographical indication as a marketing tool for specific regional products; and (iii) taking advantage of electronic platforms for e-commerce, rural finance, agricultural extension and project M&E.

## VI. Legal instruments and authority

44. 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 appendix I.
45. The People's Republic of China is empowered under its laws to receive financing from IFAD.
46. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VII. Recommendation

47. 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 seventy-two million United States dollars (US\$72,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President



## Negotiated financing agreement

### “Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi (SPRAD-SS)”

(Negotiations concluded on 10 April 2018)

Loan Number: \_\_\_\_\_

Project Title: Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi (SPRAD-SS) (the “Project”)

The 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, amended as of April 2014, and as may be amended hereafter from time to time (the “General Conditions”) are annexed to this Agreement, and all provisions thereof shall apply to this Agreement except as provided for in paragraph 2 of Schedule 2. 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

1. The amount of the Loan is seventy two million United States dollars (USD 72 000 000)
2. The Loan is granted on ordinary terms, and shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace period of five (5) years, starting from the date that the Fund has determined that all of the general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.

3. The Loan Service Payment Currency shall be the United States dollar (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and interest shall be payable on each 1 March and 1 September.
6. There shall be a Designated Account (DA) denominated in US dollars, to be opened for the IFAD loan, through which IFAD funding shall be channelled. The DA shall be set up and managed by the Department of Finance (DOF). DOF will be directly responsible for the management, maintenance and reconciliation of the DA activities. Supporting documents required for IFAD disbursements will be prepared and submitted by County Project Management Offices (CPMOs) through Provincial Project Management Office (PPMO) for review and verification before sending to DOF for further disbursement processing.
7. Counterpart contributions of the Borrower, and beneficiaries to the Project will be approximately seventy nine million five hundred thousand United States dollars (USD 79 500 000), and three million and three hundred thousand United States dollars (USD 3 300 000), in cash or in kind, respectively. Contributions of participating enterprises and cooperatives expected to be leveraged by the Project are estimated to approximately one hundred one million, nine hundred thousand United States dollars (USD 101 900 000) in cash or in kind, based on estimates made during Project design.

#### Section C

1. The Lead Project Agency shall be the Shaanxi Provincial Development and Reform Commission.
2. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

#### Section D

The Financing will be administered and the Project supervised by the Fund. In addition to supervision missions, the Fund shall conduct a mid-term review to be carried out towards the mid-term of the Project as provided for in Section 8.03 (b) of the General Conditions and a completion review before the Project Closing Date.

#### Section E

1. The following are designated as additional general conditions precedent to withdrawal:
  - (a) The PPMO) and at least one CPMO shall have been duly established and staffed with at least the following staff: a director, an accountant, and a cashier;
  - (b) The Designated Accounts shall have been duly opened and the names of the authorized signatories shall have been submitted to the Fund;
  - (c) 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;
  - (d) A computerized accounting system acceptable to the Fund shall have been identified and selected by the PPMO.

(e) The Project Implementation Manual (PIM) shall have been approved by IFAD

2. The following is designated as additional ground for suspension of the right of the Borrower to request disbursements:

(a) The 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 it has had, or is likely to have, a material adverse effect on the Project.

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

For the Borrower:

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

For the Fund:

The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

PEOPLE'S REPUBLIC OF CHINA

\_\_\_\_\_  
Authorized Representative  
(name and title)

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Houngbo  
President

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

48. Project Area. The Project will be implemented in nine nationally-designated poor counties within the three municipalities of Hanzhong, Ankang, and Shangluo in the Qinba Mountains poverty block in south Shaanxi province (i.e. Zhenba, Nanzheng, Xixiang, and Mianxian counties in Hanzhong prefecture; Hanyin, Pingli, and Langao counties in Ankang prefecture, and Danfeng, and Shanyang counties in Shangluo prefecture).

49. Target population. The Project shall target townships and villages according to: (i) higher than average poverty incidence at township and administrative village level would be considered a priority; and (ii) geographical contiguity to the maximum possible extent to ensure some level of economy of scale. The Project shall specifically target, either through direct targeting or through self-targeting, the nationally registered poor with a specific priority on those eligible for the "Poverty Reduction through Agribusiness Enterprise Development" and "rural financial services" poverty eradication pathways.

50. Project Development objective. The objective shall be to bring and maintain the target population in selected areas out of poverty through the development of inclusive, equitable and sustainable value chains.

51. Components. The Project is organized around three complementary components: (1) Pro-Poor Value Chains and Agribusiness Development; (2) Public Infrastructure and Services; and (3) Project management and coordination.

4.1 Component 1: Pro-Poor Value Chains and Agribusiness Development. This component aims at promoting the sustainable inclusion of target poor households in profitable value chains by engaging with agribusiness entities (enterprises or cooperatives) on a fair and mutually beneficial way conducive to poverty reduction. The component comprises three subcomponents:

4.1.1 Subcomponent 1.1: Development of pro-poor business plans : this subcomponent aims at providing the necessary technical support to develop profitable, equitable, and inclusive business plans.

4.1.2 Subcomponent 1.2: Value Chain Development Fund: this subcomponent aims at providing financial resources, as funding provided by IFAD loan not to be repaid by the participating enterprises and cooperatives, to finance viable and inclusive business plans, leveraging public and private funds.

4.1.3 Subcomponent 1.3: Value Chain Rural Finance development: this subcomponent aims at improving access to suitable value chain and business plans funding.

4.2 Component 2: Public Infrastructure and Services. This component aims at improving the access to public goods and services (common/village infrastructure, access to climate change adaptation/mitigation best practices, normative and regulatory services associated with food safety) in the targeted Project area through a combination of physical improvement, institutional strengthening, technical assistance and policy advisory, in order to promote sustainable, climate resilient and food safe agricultural production. The component comprises two subcomponents:

4.2.1 Subcomponent 2.1: Climate smart Infrastructure Development. This subcomponent aims at enhancing a climate resilient production basis;

- 4.2.2 Subcomponent 2.2: Public Services and Regulations for Pro-poor Agribusiness Development. This sub component aims at enhancing capacity in agricultural knowledge dissemination and food safety
- 4.3 Component 3: Project Management and Coordination. This component will support the planning, coordinating, monitoring, reporting, and overall management functions of the Project management offices (PMOs) at provincial and county levels

## II. Implementation Arrangements

52. Lead Implementing Agency. The Shaanxi Provincial Development and Reform Commission (PDRC) will take a lead role in project coordination and management. Specifically, PDRC will establish a Provincial Project Management Office (PPMO) within PDRC to take lead responsibility for Project management, supervision and evaluation. The PPMO will have the primary responsibility for coordinating and supervising the Project implementation, administration of Project resources, and monitoring and evaluation.

53. Implementation arrangements.

- 6.1 Project Leading Groups (PLGs). Project Leading Groups (PLG) shall be established at Province and each Project county to provide overall guidance and coordination of the project implementation. The key responsibilities of PLG at each level include: (i) Overall supervision of the PMOs' operations; (ii) Coordination of counterpart funds for carrying out the Project; (iii) Review and approval of project Annual Work Plan and Budgets (AWPB); (iv) Coordination of implementing agencies in project implementation; and (v) General oversight of the Project implementation address key issues/decisions important for the Project.
- 6.2 Project Management Offices (PMOs) shall be established by the PLGs at provincial, and county levels and located at the appropriate agencies at the respective level. PMOs shall focus on planning, coordinating, monitoring and reporting of the project under the guidance of PLG of the same level.
- 6.3 County Project Management Offices (CPMOs). The CPMOs shall be hosted at an appropriate bureau of the counties, depending on its relevance of the program and the focus of activities in each county. CPMOs shall be headed by the Director of the Bureau and reports directly to the county PLG. Regardless whichever technical bureau is hosting the CPMO, the CPMO has the duty and responsibility of maintaining direct and close coordination with the PPMO in all project related business. Between the county and provincial levels, CPMOs will follow the overall leadership from the PPMO.
- 6.4 An expert panel consisting of both government officials and agribusiness specialists shall be established at provincial level to support the preparation and implementation of the PPPP business plans, and to provide capacity building, facilitation and review of business plan and value chain related activities.
- 6.5 A Business Plan Evaluation Committee (BEC) shall be established at the county level to technically review the business plans for PPPP financing. The BEC will include representatives from public institutions (e.g. the Poverty Alleviation and Development Bureau, a relevant technical Bureau) and external experts from the private and the financial sector.
- 6.6 County PMOs will submit BPs approved by BEC to the BP County Approval Committee (BAC) for official approval. The BAC will be chaired by the Head of the Leading Group, and will include representatives of other public institutions and of the beneficiaries. The final composition of both the BEC and BAC will be defined in the PIM.

- 6.7 At the township level, a Township Implementation Support Office (TISO) shall be established consisting of 3-4 existing staff within the township government. The main responsibility of TISO is on planning, implementation support, monitoring and reporting of Project activities in Project villages.
- 6.8 At the village level, a Village Implementation Group (VIG) shall be established in the Project-targeted villages to ensure appropriate targeting, mobilize household participation and monitor Project activities. These VIG shall be led by the head of the villages with the inclusion of 3-4 poor beneficiaries, not less than 40% of the members will be women representatives.
- 6.9 The Department/Bureau of Finance at Provincial/County level will undertake the majority of the fiduciary roles of the Project under the overall leadership of the Ministry of Finance including: (i) opening and management of the Designated/Project Accounts; (ii) administering the Project resources including the IFAD loan and counterpart funds; (iii) review and approval of the financing needs of Project implementation; (iv) overseeing the use of Project resources; (v) ensuring effective flow of funds for Project implementation; (vi) providing appropriate training to the financial officers of PMOs in terms of financial management; and (vii) reviewing/processing disbursements and Withdrawal Applications (WAs) on a timely basis.
- 6.10 Staff in each PMO shall cover at least the following minimum functions: director, deputy director, accountant, cashier, planning officer, M&E officer, value-chain facilitator, implementation coordinator, and gender coordinator. Qualified staff shall be selected and/or appointed according to the Borrower's applicable procedures, and perform their functions in line with the terms of reference contained in the Project Implementation Manual. Staffing the CPMOs with additional staff members seconded from the related technical bureaus or outsourcing certain functions is an acceptable practice. Given the nature of the Project, a value chain facilitator will be positioned in the CPMO to facilitate and oversee the Project implementation in this respect.
54. Planning. The annual work plan and budgets (AWPBs), reflecting planned activities and budget requirements for each year of Project implementation, will be the main management tool for Project planning and implementation.
55. Monitoring and evaluation (M&E). The Project shall establish an M&E system, which will integrate Results and Impact Management System (RIMS) indicators, from provincial to village level. The M&E system of the Project shall: (i) underpin the knowledge management functions of the Project; (ii) give emphasis to assessing the impact on poverty alleviation of the Project, relying on the national poor registration system, and the performance of supported cooperatives, through annual cooperative performance assessments; and (iii) make M&E data accessible and available, through a user-friendly management information system (MIS) that integrates information and allow real-time reporting. Progress against the achievement of results will be measured through comprehensive baseline, mid-term and end-line surveys, and through annual outcome surveys in intervening years.
56. Project Implementation Manual (PIM). The PPMO shall prepare, with inputs from the CPMOs, a draft PIM and submit it to the Fund for approval. If the Fund does not approve it within thirty (30) days after receipt, the draft PIM shall be considered approved. The draft PIM which shall include, among other things: (i) terms of reference and implementation responsibilities of the Project staff, consultants and service providers; (ii) eligibility and selection criteria for the implementation of project activities, including training and development of business plans; (iii) targeting, eligibility and selection criteria for participating villages, cooperatives/enterprises and other beneficiaries; (iv) Project operational, financial and procurement procedures, including implementation and monitoring procedures; (v) M&E system and procedures; and (vi) criteria and procedures for staff performance assessment. The PIM may be amended if and when necessary,

provided no-objection from the Fund within thirty days (30) from submission of the proposed amendments, to introduce changes and/or clarification in procedures; eligibility, selection and/or targeting criteria; terms of reference; and/or implementation responsibilities.

57. Business Plans (BPs) financing agreement. Agribusiness entities and county PMOs shall sign a financing agreement for each approved business plan. The agreement shall state the rights and obligations of both sides, the commitments of the proponent agribusiness entity, targets and agreed verifiable physical, financial, economic and social indicators for the committed targets. A financing plan for the BP, compliant with the agreed financing rules as detailed in the PIM, shall be part of the financing agreement. Key information of the finance agreement shall be publicized in the village.

## 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 USD)	Percentage (net of Government, Participating enterprises, cooperatives and Beneficiary Contributions)
I. Consultancies	15 218 000	100%
II. Goods, services and inputs	19 016 000	100%
III. Works	12 796 000	100%
IV. Equipment and materials	17 770 000	100%
Unallocated	7 200 000	
<b>TOTAL</b>	<b>72 000 000</b>	

IFAD will contribute to the Project in the amount of USD 72 000 000 for "Consultancies", "Goods, services and inputs", "Works" and "Equipment and materials" under Category I, II, III, IV which IFAD will finance 100% net of contribution from Government, Beneficiaries and Participating enterprises and cooperatives list below:

The Borrower shall contribute to the Project in the amount of USD 79 500 000 (i) about USD 4 400 000 under the sub-component 1.3 to cover the loan risk under commercial lending leveraging (ii) about USD 70 700 000 under the Subcomponent 2.1 for climate resilience infrastructure of development for works, goods, inputs and services consultancies and operating cost, (iii) USD 4 400 000 under component 3 of Project management and coordination

Participating enterprises and cooperatives are expected to contribute an estimated amount of approximately USD 101 900 000 as required co-financing for the business plans (mostly on works, equipment and materials for post-harvest investments under sub-component 1.2

Beneficiaries' contribution will be USD 3 300 000 under Subcomponent 1.2, value chain development fund for inputs acquisition of farm inputs and small equipment and consultancies which representing 10% of the total costs under the relevant categories this subcomponent.

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

"Consultancies" means technical expenditures relating to business plan development and funding, rural finance services, public services in component II, and project management;



“Goods, Services and Inputs” means project financing to the Business Plans, publicity inputs for the BPs, insurance subsidies, as well as office equipment and car rent for the PMOs;

“Works” means project financing to the Business Plans in their civil works;

“Equipment and Materials” means project financing to the Business Plans in terms of equipment and materials;

2. Retroactive financing. As an exception to Section 4.08(a)(ii) of the General Conditions, specific eligible expenditures up to the equivalent of seven million two hundred thousand United States Dollars (USD 7 200 000) incurred from 29 November 2017 to the date of entry into force of the Financing Agreement may be pre-financed by the Government and reimbursed from the Financing after this Agreement has entered into force and the conditions precedent to withdrawal have been met.

## Logical framework

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Name	Baseline	YR1	Mid-Term	End Target	Source	Frequency	Responsibility	
Goal: Contribute to National poverty reduction programme and economic development in Shaanxi.	No. of registered poor brought out of poverty <small>sex, age</small>	Set by govt	Set by govt	Full eradication	Maintaining "frictional poverty" <sup>a</sup> below 3%	Survey, National Poor Registration System (NPRS)	Y1, Y3, Y5	PPMO	(A) contribution of SPRAD to national policy at provincial level.
Development Objective: Bringing and maintaining the target population in selected areas out of poverty through the development of inclusive, equitable and sustainable value chains.	DO1: Number of poor brought out of poverty in the project area. <sup>4</sup> <small>sex, age</small>	0	-	100,000	100,000	NPRS			(A) poverty eradication successful in project area, in line with Gov policy.
	DO2: % of inclusive business relationships in operation after 3 years or at project completion	0	-	65%	85%	Survey	Y1, Y3, Y5	PPMO	(A) The % is building on the total number of BPs, at design estimated 400.
Outreach: Direct beneficiaries	Number of persons receiving services promoted or supported by the project <small>CI</small>	0	-	150,000	340,000	MIS	Bi-annually	PPMO (aggregation) CPMO (validation) TPMO (collection)	
Outcomes Component 1: Pro-poo value chains developed	% increase in gross per capita income among poor beneficiaries through inclusion in business plans <small>EFA, sex, age</small>	0	-	20%	30%	MIS Survey	Annually Entry <sup>1</sup> , Y3, Y5	PPMO PPMO (contr. Third party)	
	% of supported enterprises/cooperatives reporting an increase in sales value compared to previous year <small>EFA, CI 2.2.5</small>	0	0	33%	90%	MIS Survey	Annually Entry <sup>1</sup> , Y3, Y5	PPMO PPMO (contr. Third party)	
Outputs: Competitive Business Plan selection to channel investments to pro-poor value chains	Number of enterprises/ Cooperatives/ SMEs supported by project <small>CI 2.1.1</small>	0	9	200	400	MIS	Bi-annually	PPMO	(A) design estimated approximately 400 enterprises involved. <sup>3</sup>

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	YR1	Mid-Term	End Target	Source	Frequency	
	No of poor included in business plans <small>sex, age;</small>				100,000	MIS	Bi-annually	PPMO
	% of business plans awarded to women-led cooperatives/enterprises, women-groups	-	15%	15%	25%	MIS	Bi-annually	PPMO
	No of producer accessing inputs and production package <small>CI</small> 1.1.3		5,000	50,000	100,000 (d)	MIS	Bi-annually	PPMO
	% of beneficiaries using rural value chain credit		20%	40%	80%	Survey	Annually Entry, Y3, Y5	PPMO PPMO (contr. Third party)
Outcomes/ Component 2: public infrastructure and services conducive to value chain development are delivered	% Increased in volumes of transported products from farm-gate to markets	0	0	15%	25%	Survey	Base, Y3, Y5	PPMO (contr. Third party)
Output:	Km of road/culvert/bridge constructed <small>CI 2.15</small>	-	0	300	793	MIS	Bi-annually	PPMO
	Tap water penetration reached more than <sup>2</sup>			90%	100%	Village Survey	Y3, Y5	PPMO
	No of people trained in climate resilient technology <small>CI 3.1.2</small>	0	0	900	900	MIS	Bi-annually	PPMO
Component 3 - Output: Monitoring and Knowledge Management	No of policy relevant KM products produced & disseminated <small>Policy 1</small>	0	1	4	7	KM product; Disseminations report	Annually	PPMO

## Notes:

Economic Rate of Return (ERR)- The project will calculate ERR at MTR and PCR stage.

<sup>1</sup> Entry: A subsample of beneficiaries and cooperatives will need to fill a survey questionnaire at time BP is awarded and will be followed up during Y3 and Y5 of the survey (since they are not pre-selected a time of baseline).

<sup>2</sup> The three-year goal in line with the government's 13th five-year plan.

<sup>3</sup> The number of enterprises will be revised at MTR, since it is difficult to anticipate the final target given the flexible approach of BP selection.

<sup>4</sup> Poverty will be measured against Shaanxi provincial poverty line of RMB 3,300/person/year.