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President's Report

Proposed Loan and Grant to the People's Republic of China for the Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia

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For: Approval

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Abbreviations and acronyms

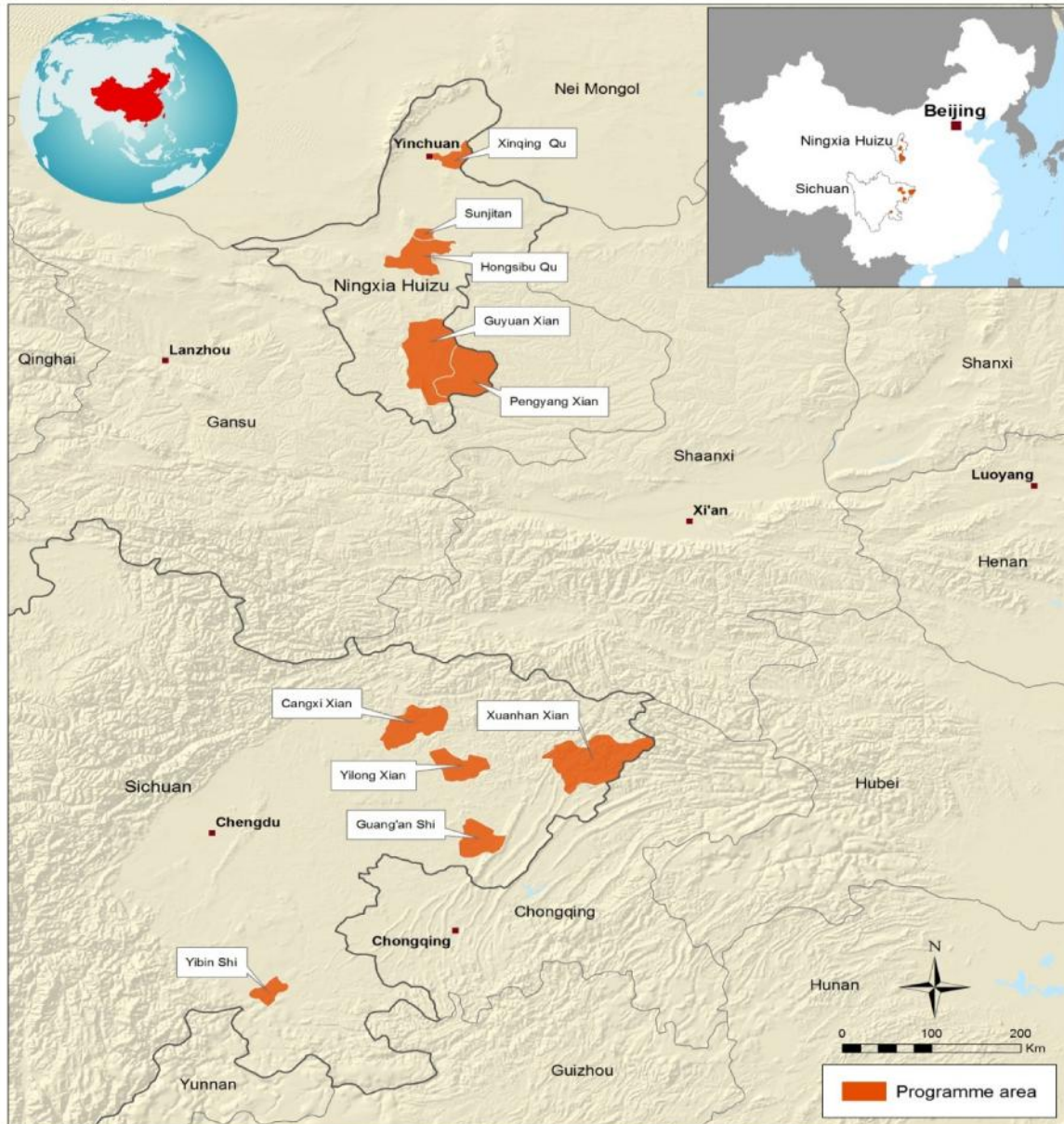
COSOP	country strategic opportunities programme
MARA	Ministry of Agriculture and Rural Affairs
M&E	monitoring and evaluation
RIMS	IFAD's Results and Impact Management System
SOCAD	State Office for Comprehensive Agricultural Development

Map of the programme area

People's Republic of China

Innovative Poverty Reduction Program: Specialized Agribusiness Development (IPRAD)

Design 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 | 28-09-2017

People's Republic of China

Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia

Financing summary

Initiating institution:	State Office for Comprehensive Agricultural Development (SOCAD)
Borrower:	People's Republic of China
Executing agency:	Ministry of Agriculture and Rural Affairs (MARA)
Total programme cost:	US\$183.5 million
Amount of IFAD loan:	US\$79.5 million
Amount of IFAD grant:	US\$500,000
Terms of IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of three years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate
Contribution of borrower:	US\$80.6 million
Contribution of beneficiaries:	Cooperatives and enterprises: US\$22.9 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 financing to the People's Republic of China for the Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia as contained in paragraph 45.

Proposed loan and grant to the People's Republic of China for the Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia

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 a rapid rural transformation and agricultural development, and contributed to drastically reducing poverty. However, by the end of 2016, 43 million people still lived below the poverty line in rural areas.
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, limited access to productive assets and remoteness are among the main causes of poverty. Limited capacity and opportunities to access markets and financial resources are among the main factors constraining current poverty-reduction efforts.
3. Agricultural development context.
 - (a) Emerging opportunities for smallholder agriculture. Despite the rapid transformation of the agricultural sector, agriculture in several areas of China remains characterized by smallholder farms, particularly in the mountainous areas, where most poor people live. The rising demand for high-value agricultural products (e.g. fruits, vegetables, and niche products), and the expansion of technological innovations (including cell-phone coverage and electronic marketing platforms) are opening up new opportunities for smallholders, as high-value products are more labour intensive to produce and generate higher return per hectare. Similarly, the rising consumer demand for food quality and safety offers new market opportunities to smallholders – as long as they can adjust their production systems to the required standards.
 - (b) The key role of cooperatives. Within this framework, the way farmer and producer organizations (cooperatives) evolve is critical for enabling smallholders to access high-value and remunerative markets – and ultimately benefit from these emerging opportunities.

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

4. Rationale for the programme. Bringing the remaining 43 million poor people out of poverty by 2020, and sustaining this achievement in the following years, is the Government's main priority in the current Five-Year Plan (2016-2020). Poverty reduction through agribusiness development (chanye fupin) is one of the five poverty reduction strategies promoted by the Government. Both Sichuan and

Ningxia Provinces are priority areas for poverty reduction. With approximately 5.1 million people living in poverty – accounting for 7.25 per cent of the total number of poor people in the country – Sichuan ranks sixth among provinces in terms of absolute number of poor people. With a poverty rate of approximately 12 per cent and several counties with poverty rates higher than 20 percent, Ningxia has among the highest poverty incidence of all China's provinces. Consistent with national poverty-reduction strategies, it is expected that approximately 50 per cent of the remaining poor people in Sichuan and Ningxia will be brought out of poverty through agribusiness development.

5. Alignment with national priorities and strategies. The proposed programme is aligned with national priorities and strategies since, first, it will contribute to the Government's goal of eradicating rural poverty by 2020 – and sustaining this achievement in the following years. Specifically, the proposed programme will support Sichuan and Ningxia Provinces in implementing provincial poverty-reduction strategies and achieving their poverty-reduction targets. Second, it will promote poverty reduction through agribusiness development – one of the Government's key poverty-reduction strategies. Third, the programme will strengthen the capacity of new agribusiness entities (cooperatives), in line with the agricultural sector strategy, and enhance their governance, in line with the Cooperatives Law currently under revision. Finally, the programme will promote environmental sustainability in line with the Government's focus on "ecological civilization" and "ecologically-balanced development"
6. Alignment with the COSOP 2016-2020. As the first operation designed under the current country strategic opportunities programme (COSOP) 2016-2020, the programme reflects the strategic shift towards a more programmatic approach to IFAD engagement in China (as opposed to the previous project approach) envisioned by the new country strategy. In line with the COSOP's thematic focus, the proposed programme also reflects the recent trend of focusing IFAD support on enhancing income opportunities and improving market access, value chains and inclusive financial services. The proposed programme is in line with and supports the COSOP's goal of reducing rural poverty and enabling smallholders in poor priority areas to benefit from the rural transformation process. It also supports the two COSOP strategic objectives: (i) increase smallholders' capacity and opportunities to access markets (and particularly support inclusive and safe value chains, inclusive cooperatives and inclusive financial services); and (ii) strengthen environmental sustainability and climate resilience.
7. Alignment with IFAD Strategic Framework 2016-2025. The objective and activities of the proposed programme are in line with the goal and strategic objectives of the IFAD 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 and contribution to Sustainable Development Goals and Rome-based agencies agenda. The objectives and activities of the proposed programme are aligned with and will contribute to the 2030 Agenda for Sustainable Development, specifically: Sustainable Development Goal (SDG) 1 – No poverty; SDG 2 – End hunger and malnutrition, achieve food security and promote sustainable agriculture; SDG 5 – Achieve gender equality and empower all women and girls; SDG 10 – Reduce inequality within and among countries; SDG 13 – Take urgent action to combat climate change and its impacts; and SDG 15 – Sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss. The objectives and activities of the proposed programme are also aligned with the Committee on World Food Security recommendations on linking smallholders to markets.

II. Programme description

A. Programme area and target group

9. Programme area. The programme will be implemented in ten counties within the Qinba Mountains and Liupanshui Mountains, which are either nationally designated poor counties, have a large number of absolute poor people or include pockets of concentrated poverty (i.e. Cangxi, Xuanhan, Guang'an, Xuzhou (previously Yibin at design), and Yilong in Sichuan, and Pengyang, Yuanzhou, Sunjiatan, Hongsipu and Xingqing in Ningxia). The incidence of poverty in the program area (15.9 per cent in Sichuan and 22.7 per cent in Ningxia) is three times higher than the respective provincial averages, and four to six times higher than the national average. Ethnic minorities (mainly Tujia in Sichuan, and Hui in Ningxia) account for approximately 15.5 per cent and 40.1 per cent respectively of the population in the programme area.

10. Targeting strategy

(a) Geographic targeting. The programme will target poor townships and villages (i.e. those with a poverty incidence higher than the respective county average) within the identified programme area and that are suitable for cultivating crops with the potential for increased agricultural production and marketing.

(b) Target group. The programme will primarily target poor smallholder farmers with economic potential (registered poor people with either labour power or land, and who are interested and able to participate in production or agribusiness activities). However, it is expected that all individuals in the programme area will benefit from the programme's investments in public infrastructure.

(c) Women and ethnic minorities. Women's empowerment will be furthered by promoting the participation of women in programme activities, thus enhancing women's awareness, economic capacity and social status. The programme will also promote the participation of ethnic minorities in programme activities.

11. Estimated beneficiaries. The programme is expected to directly benefit 198,847 individuals (92,643 in Sichuan and 106,204 in Ningxia). Women will represent approximately 45.3 per cent of these beneficiaries; ethnic minorities will represent approximately 28.7 per cent. Overall, the programme is expected to directly benefit 38,762 nationally registered poor people – 19.5 per cent of the programme area's total population.

B. Programme development objective

12. Development objective. The programme aims to bring and maintain the target population out of poverty through the development of inclusive, equitable and sustainable value chains, and the provision of an integrated public infrastructure package.

C. Components/outcomes

13. The programme is organized around three complementary components:

(a) infrastructure development and climate-smart production; (b) pro-poor value chain development; and (c) programme management and coordination.

(a) Component 1: Infrastructure development and climate-smart production. This component aims to provide the basic conditions for developing the target area through the provision of an integrated package of public, climate-smart infrastructure. The component comprises two subcomponents.

1.1: Infrastructure development aims to enhance the common infrastructure base in the programme area, including: irrigation, drainage and water-conservation systems; drinking water supply systems; electricity supply systems; and on-farm and off-farm roads.

1.2: Land improvement and climate-smart production aims to improve agricultural production systems in the target area and make them environmentally sustainable and climate-resilient, including through land rehabilitation or improvement, and demonstration plots for climate-smart agriculture.

- (b) Component 2: Pro-poor value chain development. This component aims to increase the incomes of the target population by providing incentives such as capacity, assets and access to financing for agribusiness entities (e.g. cooperatives and agroenterprises) in order to develop inclusive, pro-poor value chains. The component comprises three subcomponents.

2.1: Capacity development aims to provide cooperatives in the programme area with the technical and organizational capacity, and awareness to participate in programme activities.

2.2: Business plan financing aims to support agribusiness entities within the programme area in identifying and responding to emerging market opportunities by cofinancing competitively selected business plan proposals with demonstrated impacts on poverty reduction.

2.3: Rural finance aims to enhance opportunities for individuals and cooperatives to access financing by supporting financial institutions within the programme area in expanding their range of financial products and improving their credit risk-assessment capacity in order to respond to beneficiaries' needs.

- (c) Component 3: Programme management and coordination. This component will support the planning, coordination, monitoring, reporting, knowledge management and overall management of the programme through programme management offices at the central, provincial and county levels.

III. Programme implementation

A. Approach

14. Programme duration. The programme will be implemented over a six-year period.
15. Programme approach. The key features of the programme approach will include the following:
- (a) Programmatic approach (as opposed to project approach). The proposed programme will cover multiple provinces and will be managed by a central agency that will coordinate pilots at the provincial level in order to test their applicability in different contexts and ultimately their potential for scaling up.
- (b) Focus on cooperative development. The proposed programme will focus on cooperatives as the main entry point for linking poor farmers to markets. It will support cooperatives in enhancing their governance, strengthening their management capacities and becoming financially sustainable, more inclusive and equitable in their distribution-sharing mechanisms.
- (c) Market-driven and value chain approach. The proposed programme will adopt a market-driven approach (supporting cooperatives to identify and respond to market demands, and identify and diversify market channels), and a value-chain approach (supporting the entire value chain from production to post-production and marketing).

- (d) Business plan approach. The proposed programme will adopt a competitive mechanism to select the cooperatives to be supported and activities to be financed based on business plan proposals submitted by cooperatives and competitively selected on the basis of pre-determined criteria.

B. Organizational framework

16. Lead implementing agency. Consistent with the programmatic approach adopted by the COSOP 2016-2020, the programme will introduce a new management modality. For the first time in the China country programme, the responsibility for programme management and implementation will lie with a national agency: the Ministry of Agriculture and Rural Affairs (MARA). MARA will coordinate and supervise the implementation of pilot projects in Sichuan and Ningxia.
17. Implementation arrangements.
 - (a) At the central level, a national programme management office will be established within MARA and will be responsible for overall programme coordination, management, supervision, administration of programme resources, monitoring, ensuring adherence to agreed-upon standards, guidelines and procedures, and providing policy guidance and implementation support to provinces during programme implementation. The national programme management office will also be responsible for managing the knowledge generated from programme activities, and for replicating and scaling up best practices within and beyond the project lifetime.
 - (b) At the provincial and county levels, provincial and county programme management offices will be established within existing provincial and county offices for comprehensive agricultural development, or any successor thereto, in the two provinces. The provincial programme management offices in Sichuan and Ningxia will be responsible for overseeing programme implementation, supervising programme activities and arranging counterpart funds in their provinces. County programme management offices will be responsible for daily programme management and implementation coordination within the counties. Whenever necessary, government bureaux will be mobilized to participate in the execution of specific programme activities in line with their mandates. Programme leading groups will also be established at the provincial and county levels, acting as steering committees to oversee programme planning and implementation, coordinate counterpart funding and provide strategic guidance on policy matters to implementing agencies.
 - (c) At the township and village level, qualified staff will be designated to support the management and implementation of the programme, including mobilizing household participation, ensuring appropriate targeting and monitoring programme activities.

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

18. Planning. The main management tool for programme planning and implementation will be annual workplans and budgets reflecting planned activities and budget requirements for each year of programme implementation.
19. Monitoring and evaluation. The programme is intended to test, pilot and demonstrate innovative approaches, which – if successful – can be replicated and scaled up. For this reason, great emphasis is being placed on monitoring, measuring, documenting and disseminating results and impacts. The programme will establish a monitoring and evaluation (M&E) system, which will integrate the indicators used in IFAD's Results and Impact Management System (RIMS) from the national to the village level. Key features of programme M&E will include: (i) its central role in underpinning the programme's knowledge management functions;

(ii) the special attention given to assessing the programme's impact on poverty alleviation, relying on the national poverty registration system (jiandang lika xitong) and the performance of supported cooperatives through annual cooperative performance assessments; (iii) an emphasis on making M&E data accessible and available through a user-friendly management information system, and disseminating data through innovative information and communication technology tools; and (iv) the possibility of piloting a result-based allocation system. Progress in the achievement of results will be measured through comprehensive baseline, mid-term and end-line surveys, and through annual outcome surveys in intervening years.

20. Knowledge management. The provincial and county programme management offices will be responsible for capturing and documenting experiences, lessons and success stories resulting from programme activities. At the central level, MARA will be responsible for managing the knowledge generated by the programme and using it to promote the replication of successful practices and inform policy making. It will also facilitate the exchange of experiences with other projects sharing similar design features – both in China and abroad.

D. Financial management, procurement and governance

21. Loan repayment and programme resources responsibilities. The programme will introduce a new financial management modality in which – for the first time in IFAD's China country programme – the central government will receive a loan and bear the responsibility for repayment. MARA will have the primary responsibility for administering programme resources. Project financial management arrangements will ensure that: (i) funds are used for intended purposes in an efficient and cost-effective manner; (ii) disbursement of funds facilitates rapid implementation of activities; (iii) funds are well managed and flow smoothly; (iv) consolidated financial statements are prepared in conformity with internationally recognized accounting standards; (v) a robust flow of reliable information on project activities facilitates accountability, transparency and disclosure; and (vi) project resources and assets are safeguarded.
22. Flow of funds. Three designated accounts denominated in United States dollars will be opened for IFAD financing. One will be opened and maintained by MARA with two separate sub-ledgers – one for the loan and one for the grant – and the other two opened and maintained by the Departments of Finance in Sichuan and Ningxia. IFAD will make funds available to the programme under the terms and conditions of the financing agreement. The designated accounts shall be administered following imprest fund arrangements. At the provincial and county levels, programme accounts denominated in Chinese renminbi will be also opened and maintained by the provincial and county offices for comprehensive agricultural development to receive funds for programme implementation. Government funds will flow to a separate account.
23. Retroactive financing. As an exception to the General Conditions for Agricultural Development Financing, a provision will be made for retroactive financing from IFAD financing of up to US\$8 million for eligible expenditures incurred from 13 September 2017 until the entry into force of the financing agreement. Eligible expenditures for retroactive financing include costs related to the: (i) purchase of essential items, including equipment and software for programme management offices; (ii) recruitment of project staff; (iii) tendering, selection, and recruitment of service providers; (iv) finalization of the programme implementation manual, customization of accounting software in line with IFAD requirements, license fees, start-up training and workshops; (v) establishment of the M&E system, including a baseline survey and development of a management information system; (vi) exposure visits for knowledge and experiences sharing; (vii) surveys and feasibility studies; (viii) training and technical assistance for cooperatives, including recruitment of service providers, cooperative support field officers, technical

advisors for business plan development and facilitators to link with supermarkets, value-chain officers and M&E staff; and (ix) business plans.

24. Financing of taxes. Consistent with the General Conditions for Agricultural Development Financing, and following an assessment by IFAD which confirmed that the taxes in the programme are not excessive, discriminatory, or otherwise unreasonable, IFAD's financing will be used to finance taxes for an estimated amount of approximately US\$4.67 million of the total estimated taxes of US\$ 10.7 million. This will improve the efficiency of funds flow and better support to the programme implementation.
25. IFAD client portal. The programme will be included in the pilot IFAD client portal.
26. Procurement. Procurement of goods, works and services financed by the programme will be carried out in accordance with China's 2002 Procurement Law and its amendments to the extent that they are consistent with IFAD's 2010 Project Procurement Guidelines and Handbook, and its amendments. The procurement methods to be applied will depend on the expenditures and estimated value of the contracts. The thresholds suggested for different procurement methods to be applied in specific cases will be detailed in the letter to the borrower.
27. Governance. Based on the results of the financial management assessment carried out for this programme, the current organizational structure of the implementing agencies is considered appropriate. Arrangements for the flow of funds are considered conducive to the proper implementation of the programme. The necessary accounting standards, policies, procedures, asset management, budgeting, audit, reporting and accounting systems are in place. The overall financial risk for the programme is rated as medium.

E. Supervision

28. 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 perform annual supervision missions, a midterm review and a completion review.

IV. Programme costs, financing, and benefits

A. Indicative programme costs

29. Total programme cost is estimated at US\$183.5 million, which includes contingencies but excludes resources expected to be leveraged from financial institutions (estimated at approximately US\$16 million). Programme costs are organized into three major components: (i) infrastructure development and climate-smart production (37 per cent of baseline costs); (ii) pro-poor value chain development (57 per cent of baseline costs); and (iii) programme management and coordination (6 per cent of baseline costs). Investment and recurrent costs amount to 99.5 per cent and 0.5 per cent respectively of the programme's total cost.

Table 1
Programme costs by component and financier
 (Thousands of United States dollars)

Component	IFAD loan		IFAD grant		Beneficiaries (Cooperatives and enterprises)		Borrower/ Counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Infrastructure development and climate-smart agriculture									
1.1 Infrastructure development	6 775.3	13.5	--	--	--	--	43 318.5	86.5	50 093.8
1.2 Land improvement and climate-smart production	7 256.4	42.8	--	--	--	--	9 710.9	57.2	16 967.3
Subtotal	14 031.7	20.9	--	--	--	--	53 029.4	79.1	67 061.1
2. Pro-poor value chain development									
2.1 Capacity development	9 051.4	99.5	44.9	0.5	--	--	--	--	9 096.4
2.2 Business plan financing	52 321.3	55.5	--	--	22 959.1	24.3	19 076.5	20.2	94 356.9
2.3 Rural finance	908.4	100	--	--	--	--	--	--	908.4
Subtotal	62 281.1	59.7	44.9	--	22 959.1	22.0	19 076.5	18.3	104 361.6
3. Programme management and coordination									
3.1 Programme management	2 674.1	23.8	369.6	3.3	--	--	8 197.6	72.9	11 241.3
3.2 M&E and knowledge management	514.5	59.0	85.5	9.8	--	--	272.0	31.2	872.0
Subtotal	3 188.6	26.3	455.1	3.8	--	--	8 469.6	69.9	12 113.3
Total	79 501.4	43.3	500.0	0.3	22 959.1	12.5	80 575.5	43.9	183 536.0

B. Programme financing

30. Financing and cofinancing. IFAD will contribute US\$80 million (43 per cent of the total programme cost): US\$79.5 million as a loan and US\$500,000 as a grant to strengthen the coordination functions of the national coordination agency SOCAD – especially its M&E and knowledge-management functions. These functions are considered critical to providing SOCAD with the necessary capacity to assess and identify successful practices that can be replicated nationally. The government will contribute US\$80.5 million (44 per cent of the total programme cost). Participating cooperatives and enterprises are expected to contribute an estimated US\$22.9 million (13 per cent of the total cost) as cofinancing for business plans.
31. Cofinancing ratio. The ratio of IFAD's contribution to the Government's counterpart funding is 1:1. The ratio of IFAD contribution to total cofinancing is estimated to be equal to 1:1.3. Additional resources (estimated at US\$13 million) are expected to be leveraged from financial institutions. This would bring the cofinancing ratio to be greater than 1:1.4.
32. Cost per beneficiary. The estimated programme cost per beneficiary is US\$923.

Table 2
Programme costs by expenditure category and financier
 (Thousands of United States dollars)

Expenditure Category	Borrower/ Counterpart		IFAD loan		IFAD grant		Beneficiaries (Cooperatives and enterprises)		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Equipment and Materials	680.0	10.9	5 576.9	89.1	-	-	-	-	6 256.9	3.4
Goods, Services and Inputs-a ^a	24 875.8	100.0	-	-	-	-	-	-	24 875.8	13.6
Consultancies ^b	935.4	5.6	15 307.3	91.4	500.0	3.0	-	-	16 742.7	9.1
Goods, Services and Inputs-b ^c	-	-	16 047.0	52.1	-	-	14 724.1	47.9	30 771.1	16.8
Operating costs	886.2	100.0	-	-	-	-	-	-	886.2	0.5
Works ^d	51 514.0	100.0	-	-	-	-	-	-	51 514.0	28.1
Works ^e	1 684.1	3.2	42 570.1	81.1	-	-	8 235.0	15.7	52 489.3	28.6
Total	80 575.5	43.9	79 501.4	43.3	500.0	0.3	22 959.1	12.5	183 536.0	100.0

^a Goods, services and inputs-a include works, goods, materials, and services, financed and directly procured by the government.

^b Include TA, training, and workshops.

^c Goods, services and inputs-b include eligible expenditures related to support business plan proposals under subcomponent 2.2 (business plan financing), excluding civil works.

^d Civil works financed by government.

^e Civil works financed by IFAD.

C. Summary benefit and economic analysis

33. Programme benefits have been estimated over a 20-year period using a discount rate of 6 per cent. The results of the economic analysis suggest that the programme is viable: with an economic internal rate of return of 17 per cent in Sichuan and a net present value of US\$60 million; and an economic internal rate of return of 16 per cent in Ningxia and a net present value of US\$13.8 million, using an opportunity cost of capital of 6 per cent. The results of the sensitivity analysis suggest that the programme is relatively robust to output price decreases, input cost increases and implementation delays.

D. Sustainability

34. Several programme elements are likely to ensure sustainability of the supported activities and generated benefits. These include, first, the programme's economic viability, as suggested by the results of the economic analysis. Second, the alignment of programme activities and target beneficiaries with the Government's poverty reduction strategy and priorities. It is thus expected that the Government will continue to support the development of the programme area and the target group in order to avoid a return to poverty after programme completion. Third, financial viability will be one of the main criteria for selecting business plans to be financed by the programme. Fourth, the programme's emphasis on strengthening the institutional capacity of participating cooperatives will lay a foundation for their long-term sustainability. Fifth, programme activities will be carried out by permanent government institutions or existing service providers in the programme area. Finally, programme activities are designed to not harm the environment, to enhance environmental sustainability whenever possible and to reduce the negative impacts of climate change.

E. Risk identification and mitigation

35. The programme has been developed drawing on lessons learned from several IFAD- and other donor-funded projects. These lessons learned have been used to mitigate potential risks, including: (i) challenges in implementing multi-provincial projects (this risk has been mitigated by appointing a central agency responsible

for overall programme coordination as the lead implementing agency); (ii) mixed results in promoting poverty reduction by supporting agribusiness entities (this risk has been mitigated by focusing on cooperatives, as opposed to “dragonhead” enterprises, as the main entry point for linking poor farmers to markets); (iii) government interference in the selection of the agribusiness entities and value chains to support (this risk has been mitigated by adopting a competitive mechanism for selecting cooperatives and value chains for support based on the assessment of business plan proposals); (iv) an incentive to select the strongest agribusiness entities when loan repayment responsibility is transferred to county authorities and beneficiaries (to mitigate this risk, programme financing will be channeled to the provinces through SOCAD as a grant).

V. Corporate considerations

A. Compliance with IFAD policies

36. The programme is in line with IFAD policies. A gender-mainstreaming strategy has been designed in compliance with the IFAD gender policy. The programme’s poverty focus in beneficiary and business plan selection is in line with the IFAD targeting strategy – including selection of the target area. The programme’s scaling-up strategy is in line with IFAD’s operational framework for scaling up results. The design of subcomponent 2.3 on rural finance is in line with the six guiding principles outlined in the rural finance policy. The programme design complies with the Social, Environmental and Climate Assessment Procedures (SECAP). A SECAP note, along with an environmental and social management framework, and a climate change vulnerability assessment have been carried out as part of programme design.

B. Alignment and harmonization

37. The programme’s overall objective of contributing to poverty reduction through agribusiness and infrastructure development – using cooperatives as the main entry point for its interventions – is aligned with national and provincial priorities and strategies, including the China Poverty Reduction Outline 2011-2020, the 13th Five Year Plan, the Number 1 Central Document and the Sichuan and Ningxia Poverty Alleviation Strategies. The programme’s objective and activities also contribute to the 2030 Agenda for Sustainable Development and the Committee on World Food Security recommendations. Its approach is consistent with those of other development agencies, particularly the four most recent World Bank-financed poverty alleviation projects in China.

C. Innovations and scaling up

38. Innovations. The programme is expected to introduce and pilot several innovations, including: (i) introducing a market-driven value-chain approach in remote and poor areas; (ii) a focus on cooperatives as the main entry point for linking poor farmers to markets; (iii) bringing the current SOCAD comprehensive agricultural development model to higher-elevation areas and more remote villages, with higher concentrations of poverty (in Sichuan); (iv) adapting the SOCAD comprehensive agricultural development model to small-scale rainfed agricultural areas (in Ningxia); (v) promoting innovative benefit-sharing mechanisms between agro-enterprises and poor farmers; (vi) promoting new marketing channels, including e-commerce and supermarkets; (vii) promoting new rural finance products; and (viii) piloting a result-based allocation system.
39. Scaling-up. By appointing SOCAD, a national agency, as the lead implementer with a clear responsibility for identifying approaches and practices introduced and piloted by the programme that can be mainstreamed in national programmes, the programme will establish an institutional mechanism that facilitates the flow of information from the programme area to central level. This creates the basis for scaling up successful innovations and practices.

40. The programme aims to pilot different approaches to poverty reduction through agribusiness development, with the objective of testing their viability in different contexts and assessing their potential for scaling up. In Sichuan, the programme will test the applicability of SOCAD's comprehensive agricultural development model in higher-elevation areas and more remote villages with higher concentrations of poverty. In Ningxia, the programme will test the applicability of the SOCAD model in small-scale rainfed agricultural areas.

D. Policy engagement

41. Several approaches piloted by the programme have the potential to inform policymaking, including: (i) pursuing poverty reduction through agribusiness development using cooperatives as the main entry points for linking poor farmers to markets; (ii) supporting cooperatives in enhancing their governance to respond to the requirements of the cooperative law; and (iii) promoting the development of new rural finance products.

VI. Legal instruments and authority

42. A programme financing agreement between 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.
43. The People's Republic of China is empowered under its laws to receive financing from IFAD.
44. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

45. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the People's Republic of China in an amount equivalent to seventy-nine million five hundred thousand United States dollars (US\$79,500,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the People's Republic of China in an amount equivalent to five hundred thousand United States dollars (US\$500,000), 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: “Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia”

(Negotiations concluded on 6 September 2018)

Loan Number: _____

Grant Number: _____

Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia (“IPRAD-SN” or the “Programme”)

The People’s Republic of China (the “Borrower/Recipient”)

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 Programme 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. 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 and a Grant to the Borrower/Recipient (the “Financing”), which Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan is seventy nine million five hundred thousand United States dollars (USD 79 500 000).
- B. The amount of the Grant is five hundred thousand United States dollars (USD 500 000).
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 three (3) 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.

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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, interest and service charge shall be payable on each 1 June and 1 December.
6. There shall be three Designated Accounts denominated in USD for IFAD financing: one should be opened and maintained by the Ministry of Agricultural and Rural Affairs (MARA) with two separate sub-ledgers, one for the Loan and one for the Grant, and the other two opened and maintained by the Departments of Finance in Sichuan and Ningxia respectively.
7. The Borrower/Recipient and the participating provinces shall provide counterpart financing for the Programme in an amount equivalent to not less than eighty million United States Dollars in cash and in kind. Participating cooperatives and enterprises are expected to contribute with additional resources in line with the business plans cofinancing requirements.

Section C

1. The Lead Programme Agency shall be MARA.
2. The following are designated as additional Programme Parties: the Provincial

Offices for Comprehensive Agricultural Development (POCADs) in Sichuan and Ningxia, or any successor thereto.

3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

1. The Financing will be administered and the Programme supervised by the Fund.

Section E

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

(a) The National Programme Management Office (NPMO), the two provincial PMOs (PPMOs) and at least one county PMO (CPMO) in each province shall have been duly established and staffed with at least the following staff: a director, an accountant, and a cashier;

(b) The respective Designated Account shall have been duly opened and the names of the authorized signatories shall have been submitted to the Fund;

(c) The Borrower/Recipient, through the Lead Programme Agency, shall have caused the NPMO to submit, and the Fund shall have received, an official document confirming the availability of adequate counterpart funds for the first Programme Year;

(d) A computerized accounting system acceptable to the Fund shall have been identified and selected by the national and provincial PMOs.

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

For the Borrower/Recipient:

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/Recipient.

PEOPLE'S REPUBLIC OF CHINA

Authorized Representative
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo

President

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Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Programme area. The Programme shall be implemented in the following ten counties/districts in Sichuan and Ningxia provinces: Cangxi, Xuanhan, Guang'an, Xuzhou (previously Yibin at design), and Yilong in Sichuan and Pengyang, Yuanzhou, Sunjiatan, Hongsipu and Xingqing in Ningxia. The Programme shall specifically target poor townships and villages (i.e. townships or villages whose poverty incidence is higher than the average poverty incidence in the county) in the identified Programme area.

2. Target population. The Programme shall primarily target poor smallholder farmers with economic potential (i.e. registered poor with either labour power or land who have the potential and are interested in participating in production and/or agribusiness activities). It is however expected that all the individuals in the Programme area shall directly benefit from the Programme's investments in public infrastructure schemes. The Programme shall also promote the participation of women and ethnic minorities in the Programme activities.

3. Programme objective. The objective of the Programme is to bring and maintain the target population in the target area out of poverty through the development of inclusive, equitable, and sustainable value chains, and the provision of an integrated package of public infrastructures.

4. Components. The Programme consists of the following three complementary components: (1) infrastructure development and climate-smart production; (2) pro-poor value chain development; and (3) Programme management and coordination.

4.1 Component 1: infrastructure development and climate-smart production. This component aims at providing the basic conditions for developing the target area through the provision of an integrated package of public, climate-smart infrastructures and services. The component comprises two subcomponents:

4.1.1 Subcomponent 1.1: infrastructure development: this subcomponent aims at improving, developing and/or rehabilitating the common infrastructure base in the Programme area (e.g. irrigation, drainage and water conservation systems; drinking water supply systems; electricity supply systems; on-farm and off-farm roads), including operation and maintenance.

4.1.2 Subcomponent 1.2: land improvement and climate-smart production: this subcomponent aims at improving the agricultural production systems in the target area, and making them environmentally sustainable and climate-benign or -resilient (e.g. land rehabilitation or improvements; demonstration plots of climate-smart agriculture).

4.2 Component 2: pro-poor value chain development. This component aims at increasing the income of the target population by integrating it into inclusive and pro-poor value chains. This will be achieved by providing incentives (e.g. capacity, assets, and access to financing) to agribusiness entities (i.e. cooperatives and agro-enterprises) to develop inclusive, pro-poor value chains. The component comprises three subcomponents:

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4.2.1 Subcomponent 2.1: capacity development: This subcomponent aims at providing the cooperatives in the Programme area with the essential capacity (technical, organizational, awareness) to participate in and benefit from the Programme activities.

4.2.2 Subcomponent 2.2: business plans financing: This subcomponent aims at supporting agribusiness entities in the Programme area in funding viable and sustainable business proposals that respond to emerging market opportunities and have a demonstrated impact on poverty reduction, including production-base infrastructures for beneficiaries in Ningxia.

4.2.3 Subcomponent 2.3: rural finance: This subcomponent aims at enhancing the opportunities of target beneficiaries (individuals and cooperatives) to access financial resources by supporting/partnering with financial institutions in the Programme area to expand their range of financial products and improve their risk management capacity so to better respond to the demands of the Programme's beneficiaries.

4.3 Component 3: Programme management and coordination. This component will support the planning, coordinating, monitoring, reporting, knowledge management and overall management functions of the PMOs at central, provincial and county levels.

II. Implementation Arrangements

5. Lead implementing agency. The Ministry of Agricultural and Rural Affairs (MARA) shall bear the overall management and implementation responsibilities of the

Programme. MARA will coordinate and supervise the implementation of the pilot projects in two provinces: Sichuan and Ningxia. At provincial and county level, management and implementation responsibilities shall be borne by the respective Provincial and County Offices for Comprehensive Agricultural Development (POCADs and COCADs) or any successor thereto.

6. Implementation arrangements.

6.1 At central level, a NPMO shall be established within MARA and will be responsible for overall Programme coordination, management, supervision, administration of Programme resources, monitoring, ensuring adherence to agreed standards, guidelines and procedures, and for providing policy guidance and implementation support to provinces during Programme implementation. The NPMO shall have in addition the overall responsibility in managing the knowledge generated from Programme activities, and for making the necessary arrangements for replication and upscaling of best practices within and beyond the Programme.

6.2 At provincial and county level, PPMOs and CPMOs shall be established within the existing POCADs and COCADs or any successor thereto in the two provinces; Programme leading groups (PLGs) shall be established at provincial and county level; and, whenever necessary, line bureaus and farmer/interest groups' organizations shall be mobilized:

6.2.1 The Sichuan and Ningxia PPMOs shall be responsible for overseeing Programme implementation, supervising Programme activities and arranging counterpart funds in their respective province.

6.2.2 CPMOs shall be responsible for day-to-day Programme management and implementation coordination within the counties.

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6.2.3 PLGs shall oversee Programme planning and implementation, coordinate counterpart funds, and provide strategic guidance on policy matters to implementing agencies. Each PLG shall be chaired by a senior official of government and include the representatives from relevant departments, bureaus and institutions as appropriate.

6.2.4 Whenever necessary, line bureaus shall be mobilized to participate in the execution of specific Programme activities, in line with their respective mandate.

6.2.5 Whenever necessary, farmer or other interest groups' organizations (e.g. water user associations, farmer cooperatives, farmer associations, women federation) shall be mobilized to participate in the execution and monitoring of Programme activities. Particularly, water user associations (WUAs) shall participate in the planning, design, construction and supervision of the irrigation and drainage systems, and shall gradually take over the responsibility of operation and maintenance.

6.3 At township and village level. Qualified staff shall be designated in the Programme townships and villages to support Programme implementation and management such as planning, monitoring and reporting, household targeting and participation among others.

7. Staffing. Each PMO shall cover at least the following minimum functions: financial management, procurement, planning, monitoring and evaluation, value-chain development, implementation coordination, and gender development. Qualified staff shall be appointed to perform their functions in line with the terms of reference contained in the Programme implementation manual (PIM). Staffing the PMOs with additional staff members seconded from the related technical bureaus or outsourcing certain functions is an acceptable practice.

8. Planning. Annual work plan and budgets (AWPBs) reflecting planned activities and budget requirements for each year of Programme implementation, acceptable to the Fund, shall be the main management tool for Programme planning and implementation.

9. Monitoring and evaluation (M&E). The Programme shall establish a M&E system, which will integrate Results and Impact Management System (RIMS) indicators, from national to village level. The M&E system of the Programme shall: (i) underpin the knowledge management functions of the Programme; (ii) give emphasis to assessing the impact on poverty alleviation of the Programme, relying on the national poor registration

system, and the performance of supported cooperatives, through annual cooperative performance assessments; (iii) make M&E data accessible and available, through a userfriendly management information system (MIS) and innovative information and communication technology (ICT) tools. 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.

10. Supervision. The Programme shall be directly supervised by IFAD. In order to facilitate implementation of the Programme and ensure the achievement of the Programme objectives, IFAD and the Borrower/Recipient shall carry out joint annual supervision missions, a midterm review towards the third year of Programme implementation, and a completion review before the Programme closing date.

11. Programme implementation manual (PIM). The national PMO shall prepare, with inputs from the provincial and county PMOs, 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 Programme staff, consultants and service providers; (ii) eligibility and selection criteria for the

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implementation of Programme activities, including training and development of business plans; (iii) targeting, eligibility and selection criteria for participating villages, cooperatives/enterprises and other beneficiaries; (iv) Programme operational, financial and procurement procedures, including implementation and monitoring procedures; (v) M&E system and procedures; 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.

12. 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.

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Schedule 2

Allocation Table

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

Category
Loan Amount
Allocated SC
(expressed
in USD)
Loan Amount
Allocated-NX
(expressed
in USD)
Loan
Amount
Allocated-
MARA
(expressed
in USD)
Grant
Amount
Allocated-

MARA
(expressed
in USD)

Total Loan
and Grant
Amount

Percentage
(net of

Government
and Beneficiary
Contribution)

I. Equipment and Materials 3 015 000 2 025 000 5 040 000 100%

II. Consultancies 7 155 000 6 165 000 500 000 500 000 14 320 000 100%

III. Goods, Services and

Inputs

9 090 000 5 310 000 14 400 000 100%

IV. Works 19 440 000 18 900 000 38 340 000 100%

Unallocated 4 300 000 3 600 000 7 900 000

TOTAL 43 000 000 36 000 000 500 000 500 000 80 000 000

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

“Category I Equipment and Materials” means eligible expenditures for electricity supply system, fertilizers for land improvement, canal and water system construction, capacity building of cooperatives and Programme management;

“Category II Consultancies” under the Loan means eligible expenditures for domestic and international training, study tours, workshops, technical assistance & studies for production demonstration, capacity building in agribusiness and Programme management in the two provinces and MARA;

“Category II Consultancies” under the Grant means eligible expenditures for MARA in workshops, domestic and international training, study tours, technical assistance, ICT and Programme M&E activities, except those included under the Loan;

“Category III Goods, Services and Inputs” means eligible expenditures for business plans excluding civil works;

“Category IV Works” means eligible expenditures for canal development, electricity supply, livestock production infrastructure and civil works in Business Plans.

2. Retroactive Financing. As an exception to section 4.08(a)(ii) of the General Conditions, expenditures not exceeding in the aggregate the equivalent of USD 8 million incurred between 13 September 2017 up to the date of entry into force of the Financing Agreement, shall be eligible for financing. Eligible expenditures for retroactive financing are considered those incurred to finance start up activities falling within the above categories such as: consultancies, training, workshops and equipment/software for PMOs, as well as civil works and business plan investment.

Logical framework

Results Hierarchy	Indicators [RIMS indicator no]	End Target (2023)	Source	Assumptions (A) / Risks (R)
Goal: Contribute to the national poverty eradication programme in Sichuan and Ningxia Provinces	G.1 Number of registered poor in Sichuan and Ningxia project counties brought above the poverty line		National Poor Registration System (NPRS)	<p>(A): There will still be poor HH to take out of poverty beyond 2019 due to:</p> <ul style="list-style-type: none"> poor registered HH not graduating out of poverty HH “falling back into poverty” new poor HH <p>(R): Poverty is a dynamic process and zero target can hardly be maintained over time due to fluctuations in rural poverty beyond the provincial eradication target in 2020</p>
Development Objective: Eradicate poverty in targeted areas through the development of inclusive, equitable and sustainable value chains	DO.1 Number of registered poor people in PRAD project area brought above the poverty line	Full eradication of poverty in both provinces	National Poor Registration System	<p>(A): Assuming a 90% effectiveness due to</p> <ul style="list-style-type: none"> poor registered HH not graduating out of poverty (assumed at 5%) HH “falling back into poverty” (assumed at 5%) <p>NPRS is equipped to track fall-back cases</p>
	DO.2 Percentage of poor “falling back into poverty”	Below 5%	National Poor Registration System	<p>(R): The “one village-one crop-one enterprise” frequently used model has:</p> <ul style="list-style-type: none"> Monopsony risk Insufficient diversification; Could be unsustainable (excessive reliance on subsidies) and transforms the poor HH in rent earners with little or no connexion with small scale agriculture (generally encouraging them to exit agriculture) Fall back cases might be underestimated due to high priority of poverty eradication at national level
	DO.3 % increase in gross per capita income among people in project area compared to previous year	Exceeds provincial rural average	Household survey; Statistics Bureau	
Outreach	R.1 Number of persons receiving services promoted or supported by the project [1]	106,204 Ningxia 92,643 Sichuan 198,847 Total	Provincial and County PMO records	
	R.2 number of households reached by services promoted or supported by the project [1.a]	28,601 Ningxia 24,947 Sichuan 53,548 Total	Provincial and County PMO records	
	R.3 % of households reached among households in project area	100%		
	R.4 Number of women-led cooperatives supported by the program	At least 1 per county	Cooperatives records	
Outcome 1: Infrastructure development and climate-smart production	1.1 % of households in project area reporting improved production conditions.	100%	Sample survey	
	1.2 % of households in the programme area reporting adoption of environmentally sustainable and climate resilient technologies and practices [3.2.2]	90%	Ex-ante financial analysis; sample survey	(R): Insufficient preparedness for climate related hazards (mainly floods and drought).
Output 1.1: Infrastructure development	1.1.1 Number of kilometers of rural roads constructed, rehabilitated or upgraded [2.1.5]	97 km Ningxia 149 km Sichuan 246 km Total	Provincial and County PMO records	<p>(R): Inappropriate O&M of infrastructure systems resulted from inadequate institutional capacity;</p> <p>(R): Production assets might be insufficient to eradicate poverty (this has proven to be the case for resettlement areas in Ningxia)</p>
	1.1.2 Area under new/rehabilitated irrigation scheme (ha) [1.1.2]	2972 ha Ningxia 550 ha Sichuan 3,522 Total	Provincial and County PMO records	

Output 1.2: Land improvement and climate-smart production	1.2.1 % of production/plantation area under climate resilient agricultural technologies and management practices [3.1.4]	80%	Provincial and County PMO records	(R): Delays in delivery of training /capacity development cause major delays in adoption of climate resilient practices, reducing progress towards the result
Outcome 2: Pro-poor value chain development	2.1 % of farming households in project area reporting an increase in production compared to previous year [1.2.4]	75%	Sample survey	(R): Ageing population is a limitation to effective small scale agriculture development
	2.2 % of supported cooperatives/enterprises reporting an increase in sales value of at least 10% compared to previous year[2.2.5]	90%	Cooperatives records	(R): Lack of capacity to meet market requirement and side-selling on the producer side (R): Lack of competition among buyers causing low producer price, or side-buying (breach in contract);
	2.3 % of supported cooperatives/enterprises reporting a profit [2.2.2]	90%	Cooperatives records	
	2.4 % of supported cooperatives which distribute profits to members in accordance with cooperative law (minimum 60% of dividends based on transactions, where applicable)	80%	Cooperatives records	(R): Inequitable distribution of dividends to cooperative members (elite capture and lack of transparency) (R): Insufficient knowledge dissemination of law requirements
Output 2.1: Capacity development	2.1.1 % of supported cooperative member households reporting new or improved services provided by their organization since becoming a member, where applicable [2.2.4]	85%	Sample survey	(A): Training curricula and other Capacity Development interventions content are sufficiently based on farmers' capacities; (A): Adequate expertise is available in PRAD area and can be mobilized by the programme at early stages of implementation
	2.1.2 Average percentage of 2015 village registered poor who are members of supported cooperatives	At least 30%	Sample survey	
	2.1.3 % of smallholder farmers who are members in executive board of cooperatives % of women who are members in executive board of cooperatives	30% smallholders 25% women	Cooperative records	
	2.1.4 Number of cooperatives supported [2.1.3]	TBC	County PMO records	
Output 2.2: Business plan financing	2.2.1 % of farming households reporting improved access to post-production facilities (storage, drying, washing, grading, packing, transport) [2.2.6]	95%	Sample survey	(A): Adequate expertise is mobilized to ensure appropriate utilization of post-production facilities (R): Production assets might be insufficient to eradicate poverty
	2.2.2 % of supported cooperatives obtaining at least one new certification, including: fair trade, geographic indication recognition, hazard-free/green/organic	90%	Survey of PRAD cooperatives	(R): Lack of capacity to meet certification requirements; Insufficient collective capacity to enforce Geographic Indication schemes.
Output 2.3: Rural finance	2.3.1 % of supported cooperatives using financial services for productive purposes	TBC	Survey of PRAD cooperatives	(R): FIs do not want to change lending practices; FIs make poor loans generating too many defaults; (R): Regulators object to proposed changes to credit risk analysis and or collateral substitutes.
Policy and Knowledge Sharing	P.1 Number of relevant knowledge products completed [Policy 1]	5	Provincial and County PMO records	(A): from year 2, at least one product per year per county, at least one product per province, and one product from SOCAD. Includes analytical pieces evaluating project activities and informing decision makers.