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Investing in rural people

President's report

Proposed loan

People's Republic of China

Yunnan Rural Revitalization Demonstration Project

Project ID: 2000002358

Note to Executive Board representatives

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Abbreviations and acronyms

DARA	Department of Agriculture and Rural Affairs
DOF	Department of Finance
IFAD11	Eleventh Replenishment of IFAD's Resources
M&E	monitoring and evaluation
PMO	Project Management Office
SDG	Sustainable Development Goal

Map of the project area



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 | 31-07-2019

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	People's Republic of China
Executing agency:	Department of Agriculture and Rural Affairs of Yunnan Province
Total project cost:	US\$234.5 million
Amount of IFAD loan:	US\$74.8 million
Terms of IFAD loan:	Ordinary
Cofinanciers:	Enterprises and cooperatives
Amount of cofinancing:	US\$41.6 million
Terms of cofinancing:	Cash
Contribution of borrower/recipient:	US\$115.3 million
Contribution of beneficiaries:	US\$2.8 million
Amount of IFAD climate finance:	US\$35.1 million
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 56.

I. Context

A. National context and rationale for IFAD involvement

National context

1. **The poverty context:** The Government of the People's Republic of China is planning to eradicate extreme rural poverty, as measured against the prevailing national poverty standards, by 2020. However, sustaining this achievement, reducing inequalities (between coastal and western provinces, urban and rural areas, and among the population), and preventing people who were moved out of poverty from falling back into it will remain government priorities in the years after 2020.
2. **The rural development context.** China is undergoing a fundamental transformation in rural areas. Over the past few decades, it has witnessed mass migration of the active workforce from rural to urban areas due to the urban-rural wage gap and limited income-generating opportunities in rural areas. Rural families from poverty-vulnerable households are often dependent on the remittances sent by migrant-worker relatives, supplemented by some income from production and local labour. In response to this situation, the government has recently adopted a rural revitalization strategy—a comprehensive long-term strategy aimed at rebalancing the existing divide between urban and rural areas by accelerating the development of rural areas and making them attractive places to live in. Key strategies for pursuing and sustaining poverty reduction efforts and developing rural areas include: agricultural industrialization (i.e. the development of lead industries through support for agribusinesses and cooperatives), the creation of employment opportunities and comprehensive infrastructure development.
3. **Provincial context:** Yunnan has consistently been a priority of the Chinese government's poverty reduction programme, as it contains the largest share of poor people in the country (11 per cent of the national poor in 2018). In 2018, 88 out of 129 counties (mostly in the Western and North-Eastern parts of the province) were still classified as nationally-designated poor counties. Although absolute poverty will be eradicated in these counties by 2020, many rural households will remain vulnerable, with limited income opportunities.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with the mainstreaming commitments of the Eleventh Replenishment of IFAD's Resources (IFAD11), the project has been validated as:
 - Including climate finance;
 - Gender transformational;
 - Youth-sensitive.
5. **Gender and youth:** Youth migration and the feminization of the workforce are becoming common phenomena in rural China, including in the project area. About 55 per cent of the workforce in the project area is engaged in migrant labour; more than half of migrant workers are youth between the ages of 15 and 34. To reverse this trend, a key pillar of the new rural revitalization strategy is the creation of new employment opportunities in rural areas to retain or bring the economically active population, particularly young people, back to rural areas.

6. **Climate change:** The project area is moderately vulnerable to the effects of climate change. The project will help reduce the risks and impacts associated with changing weather and climate conditions, in particular greater variability and unpredictability, by strengthening the capacity of the government and beneficiaries to assess climate risks and plan and decide accordingly, and by increasing the climate-resilience of the infrastructure system.
7. **Nutrition:** Yunnan has made significant progress in reducing malnutrition in rural areas: in 2018, stunting, the prevalence of underweight, and wasting among children under 5 were less than 4 per cent, around 1 per cent, and around 0.7 per cent, respectively. Data on the overall situation in the project area is not alarming and is in line with the objectives of the provincial development plan. The project will help improve nutrition outcomes by increasing access to safe drinking water in its intervention area.

Rationale for IFAD involvement

8. **The development problem:** Although absolute poverty is expected to be eradicated in China by 2020, areas that have been classified as "poverty priority areas," including the proposed project area, will remain vulnerable, with limited income-generating opportunities. Traditional small farms cannot be a reliable source of income. As a result, a significant portion of the population is abandoning agriculture. Preventing families who were brought out of poverty prior to 2020 from falling back into it and securing the economic development of these areas to make them attractive places to live in will remain a challenge in the years to come. While the current mainstream approach to rural poverty reduction, notably *chanye fupin* (poverty reduction through industrialization), will remain a key element of the new rural revitalization strategy, it has also exhibited several shortcomings. The current situation offers an opportunity to rethink and adjust the current *chanye fupin* model and introduce and test new models and approaches, focusing on greater inclusiveness for vulnerable households, women and youth.
9. **Rationale for IFAD involvement:** While in the past, IFAD was primarily considered a source of concessional financing, in recent years it has increasingly been viewed and appreciated as a development partner whose value added lies in its capacity to introduce and pilot innovative approaches that, if successful, could inform policymaking and be replicated and/or mainstreamed in government programs or shared with other developing countries through South-South cooperation. The current situation offers a unique opportunity for IFAD to support the government in rethinking and improving the *chanye fupin* model, addressing some of its shortcomings and adjusting it to a post-2020 scenario, making it fairer, more inclusive, and less of a burden on public finances.

B. Lessons learned

10. The project design benefited from the lessons and experience of several IFAD- and World Bank-funded projects. These lessons included (i) the shortcomings of pursuing poverty reduction through direct support to dragon head enterprises; (ii) the role that farmers' cooperatives can play in facilitating farmers' access to markets; and (iii) the shortcomings of the current lead-household or enterprise-shareholding cooperative model.

II. Project description

A. Objectives, geographical area of intervention and target groups

11. **Project goal and development objective:** The project goal is to sustainably keep poor and vulnerable households in the project area out of poverty. The development objective is to increase the opportunities for income generation among poor and vulnerable households in the project area and heighten the inclusiveness of the benefit-sharing mechanisms of agro-industries.

12. **Project area:** The project will be implemented in seven counties in the municipalities/prefectures of Zhaotong, Dali, Lijiang and Nujiang in the North-Eastern and Western part of Yunnan province, selected according to poverty incidence, presence of industries with a market potential, and commitment of the local government to the objectives and proposed approach of the project.
13. **Targeting strategy:** The project will adopt the following targeting strategy:
- (i) **Geographical targeting:** The project will target current or former nationally-designated poor counties, giving priority to villages and communities with a higher-than-county-average concentration of registered- or formerly registered-poor.
 - (ii) **Poverty targeting:** Within the project area, the focus will be on vulnerable households—i.e. households that have been registered at least once in the National or Provincial Poor Registration System since 2014.
 - (iii) **Gender, youth and ethnic minority targeting:** Among the project beneficiaries, the specific focus will be on vulnerable groups (i) women; (ii) youth; and (iii) ethnic minorities.
14. **Beneficiaries:** In all, the project is expected to directly benefit an estimated 91,770 individuals, some 25 per cent of whom are formerly registered poor, 50 per cent are women, 30 per cent are youth, and 60 per cent belong to ethnic minorities (i.e. direct beneficiaries). The project is expected to indirectly benefit about 414,540 people from 88,200 households inside the project area.

B. Components, outcomes and activities

15. The project will have the following components: (1) Supporting Inclusive Rural Development; (2) Climate-resilient public infrastructure planning and development; and (3) Project management, knowledge management (KM), monitoring and evaluation (M&E), and policy.
- (i) **Component 1: Supporting inclusive rural development:** This component aims at fostering the economic development of the project area by (i) promoting improvements in one of the government's current poverty reduction models and approaches: *chanye fupin*; and (ii) stimulating additional and more-diversified income opportunities in the project areas by providing services (including financial services), encouraging local entrepreneurship and attracting new investors in agricultural or non-agricultural activities. One of the activities under this subcomponent will be implemented piloting a results-based lending approach.
 - (ii) **Component 2: Climate-resilient public infrastructure planning and development:** This component aims at improving and expanding infrastructure systems in the project area through a combination of physical improvements, institutional strengthening and technical assistance to improve road access and water security, prevent soil erosion, reduce the risks and impacts associated with changing weather and climate conditions and promote sustainable and climate-resilient agricultural production.
 - (iii) **Component 3: Project management, KM, M&E, and policy.**

C. Theory of change

16. **Industrialization as a key strategy for poverty reduction and rural revitalization:** Promoting thriving industries (i.e. agribusiness development) and linking them with farmers for income generation has been the primary approach in government poverty reduction programs (i.e. *chanye fupin*, poverty reduction through industrialization). Agricultural industrialization remains a key pillar of the new rural revitalization strategy. However, persistent challenges remain in tackling poverty issues, sustaining poverty reduction outcomes and promoting economic

development in "deep poverty" areas, such as those targeted by the project. The current base scenario: In the current base scenario, the project area and relatively poor and vulnerable households still face a mixture of constraints: (i) limited income-generating opportunities; (ii) migration of the rural workforce to urban areas and limited household resources for investment in agriculture or other economic activities; (iii) growing feminization of the agricultural workforce; (iv) the limited scale of household landholding; and (v) the inability of smallholders to effectively operate collectively and enter value chains. Furthermore, (vi) increasingly variable rainfall and the frequency of unusual weather events are seen as growing uncertainties for agricultural production in the project area. The shortcomings of the current approach: While industrialization remains a key strategy for poverty reduction and the revitalization of rural areas, the current approach focused on reaching smallholder households through "dragon head enterprises" has several shortcomings and does not always yield the desired results or guarantee sustainability. There are manifest gaps in inclusiveness, fairness and equality, efficiency and sustainability. At the same time, while strengthening the role and capacity of farmers' cooperatives can be a more viable approach for meeting the objectives of poverty reduction through industrialization and sustaining the results, cooperative development in China also has some major shortcomings.

17. **Turning challenges into opportunities:** The current situation offers an opportunity to test alternative approaches that could potentially be valuable in informing the government in its pursuit of rural revitalization and sustainable poverty reduction. The proposed approach: The project would introduce improvements in the current *chanye fupin* model, placing greater emphasis on the principles of diversification, inclusiveness, equality and sustainability. Through the proposed project interventions, rural villages and cooperatives and proactive smallholder farmers (including youth and women) will receive support in developing initiatives around sustainable agriculture as well as rural non-farm opportunities. The project activities would also invest in improving the productive and managerial capacities of women and increasing their participation in decision-making bodies in community institutions. How the approach will be operationalized: This will be achieved by: (i) increasing the capacity of genuine cooperatives (rather than dragon head enterprises) as the main entry point to link poor farmers to markets and piloting alternative *chanye fupin* models; (ii) stimulating additional and more diversified income opportunities in the project areas by providing services, encouraging local entrepreneurship (especially among women and young farmers/migrant returnees) and attracting new investors in agricultural or non-agricultural activities; and (iii) addressing some of the major gaps in the project area's current infrastructure system that limit or constrain implementation of the proposed project activities, while at the same time reducing the risks associated with climate change.

D. Alignment, ownership and partnerships

18. **Alignment with national priorities and strategies:** The project is well-aligned with national priorities and strategies, as it will (i) contribute to the government's objective of sustaining poverty reduction achievements after 2020, in keeping with the principles of the rural revitalization strategy; (ii) promote agricultural industrialization, create employment opportunities and develop the infrastructure system; (iii) help make the project area economically more attractive, thus retaining migrant workers and possibly bringing people back to rural areas; and (iv) promote environmental sustainability, in line with the government concepts of "ecological civilization" and "ecologically balanced development."
19. **Alignment with Sustainable Development Goals (SDGs):** The objective and activities of the proposed project are aligned with and will contribute to the

fulfilment of Agenda 2030, and, more specifically, SDG1, SDG2, SDG5, SDG10, SDG13 and SDG15.

20. **Alignment with the country strategic opportunities program (COSOP) 2016-2020:** The project is the third investment operation to be designed under the current COSOP 2016-2020, and it well reflects the recent trend of focusing IFAD support on (i) enhancing income opportunities and increasing resilience by promoting and strengthening cooperatives, giving more emphasis to improving access to markets, value chains and climate resilience, and (ii) innovation, knowledge management to inform policy and scaling-up. The project is conceived as a demonstration project that will introduce several innovations to test their applicability in the project context, draw lessons and promote replication of the models and approaches that prove successful.
21. **Alignment with the United Nations Development Assistance Framework (UNDAF) 2016-2020 and the draft United Nations Sustainable Development Cooperation Framework (UNSDCF) 2021-2025:** The project is aligned with and contributes to addressing the priority areas of the UNDAF 2016-2020. It is also aligned with and expected to address the strategic priorities of the draft UNSDCF 2021-2025, currently in development.
22. **Alignment with IFAD' Strategic Framework 2016-2025:** The project's objective and activities are aligned with the goal and strategic objectives of the IFAD Strategic Framework 2016-2025, in particular strategic objectives 2 and 3.
23. **Alignment with Transition Framework:** The proposed project implements several of the principles and elements of the Transition Framework: it will (i) pilot one of the new products proposed under IFAD11 (i.e. results-based lending, RBL); (ii) help inform policy-making; and (iii) contribute significantly to an increase in cofinancing, particularly domestic cofinancing: the project is expected to mobilize resources in a 1:2.1 ratio.

E. Costs, benefits and financing

Project costs

24. **Project costs:** The total project cost is estimated at US\$234.5 million.

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

Component	IFAD loan		Other cofinanciers		Beneficiaries			Borrower/recipient			Total
	Amount	%	Amount	%	Cash	In-kind	%	Cash	In-kind	%	Amount
1. Supporting inclusive rural development	51 984.7	45.6	41 685.7	36.6	-	-	-	19 721.7	526.4	17.8	113 918.5
2. Climate-resilient public infrastructure planning and development	19 761.5	17.8	-	-	-	2 769.0	2.5	18 506.8	70 000	79.7	111 037.3
3. Project management, KM, M&E, and policy	3 031.9	31.7	-	-	-	-	-	1 221.8	5 302.7	68.3	9 556.4
Total	74 778.1	31.9	41 685.7	17.8	-	2 769.0	1.2	39 450.3	75 829.1	49.1	234 512.2

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

Expenditure category	IFAD loan		Other cofinanciers		Beneficiaries			Borrower/recipient			Total
	Amount	%	Amount	%	Cash	In-kind	%	Cash	In-kind	%	Amount
1. Works	-							16 311.1	70 000	100.0	86 311.1
2. Works-IFAD	19 753.4	90.0	-	-	-	-	-	2 194.8	-	10.0	21 948.2
3. Equipment and materials	140.7	49.2	-	-	-	-	-	145.3	-	50.8	286.0
4. Training	2 394.2	80.6	-	-	-	-	-	576.1	-	19.4	2 970.2
5. Workshop	188.9	48.5	-	-	-	-	-	200.9	-	51.5	389.9
6. Consultancy	4 206.0	90.0	-	-	-	-	-	467.3	-	10.0	4 673.3
7. Goods, services and inputs	3 004.2	83.4	-	-	-	-	-	599.1	-	16.6	3 603.3
8. Grants and subsidies	44 132.3	42.1	41 685.7	39.8	-	-	-	18 955.7	-	18.1	104 773.7
9. Salary and allowances	580.5	19.4	-	-	-	-	-	-	2 405.5	80.6	2 986.0
10. Operating costs	377.9	9.9	-	-	-	-	-	-	3 423.6	90.1	3 801.5
11. Operations and maintenance	-	-	-	-	-	2 769.0	100	-	-	-	2 769.0
Total	74 778.1	31.9	41 685.7	17.8		2 769.0	1.2	39 450.3	75 829.1	49.1	234 512.2

Table 3
Project costs by component and project year (PY)
 (Thousands of United States dollars)

Component	PY1		PY2		PY3		PY4		PY5		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Supporting inclusive rural development	13 205.3	11.6	28 837.7	25.3	36 331.0	31.9	29 384.7	25.8	6 159.8	5.4	113 918.5
2. Climate-resilient public infrastructure planning and development	27 972.7	25.2	36 066.1	32.5	28 464.9	25.6	13 387.3	12.1	5 146.2	4.6	111 037.3
3. Project management, KM, M&E, and policy	2 179.3	22.8	1 834.2	19.2	2 007.7	21.0	1 884.6	19.7	1 650.6	17.3	9 556.4
Total	43 357.3	18.5	66 738.0	28.5	66 803.6	28.5	44 656.6	19.0	12 956.6	5.5	234 512.2

Financing and cofinancing strategy and plan

25. **Project financing and cofinancing:** IFAD will contribute to the project with a loan in a total amount of US\$74.8 million (32 per cent of the total project cost). The Government will contribute US\$115.3 million (49 per cent) and participating enterprises and cooperatives are expected to contribute approximately US\$41.6 million (18 per cent). The beneficiaries' contribution is expected to be approximately US\$2.8 million (1 per cent).
26. **Cofinancing ratio:** The IFAD loan has a cofinancing ratio of approximately 1:2.1. This is 50 per cent above the IFAD11 target of 1:1.4.
27. **Climate financing:** Project subcomponents 1.1, 1.2 and 2.1 are considered climate finance. As per the multilateral development bank methodology for tracking climate change adaptation finance, the total amount of IFAD climate finance for this project is calculated at US\$35.16 million, which represents 47 per cent of the total IFAD project amount.

Disbursement

28. IFAD loan proceeds will be allocated to the respective expenditure category and disbursed in accordance with the agreed terms and conditions of the Financing Agreement, the Loan Disbursement Handbook and the Letter to the Borrower. These will be supported by appropriate documentation, along with the withdrawal applications listing the eligible expenditures incurred.

Summary of benefits and economic analysis

29. **Results of the financial analysis:** The results of the financial analysis of with- and without-project scenarios for the different productive models show positive cash flows, even after project closure, and reasonable financial returns in the range of 9-45 per cent.
30. **Results of the economic analysis:** The results of the economic analysis suggest that the project is economically viable, with an economic internal rate of return of 15.3 per cent for the base case scenario and a net present value of US\$199 million.

Exit strategy and sustainability

31. **Sustainability:** The project has a number of elements that are likely to ensure post-project sustainability of the activities supported and benefits generated: (i) economic viability; (ii) alignment with national policies, strategies and priorities; (iii) institutional sustainability and sustainable partnerships; (iv) beneficiary ownership and empowerment; (v) financial viability; (vi) a shift from subsidizing production toward responding to market demand; (vii) operation and maintenance arrangements.

III. Risks

A. Risks and mitigation measures

32. In general, most of the identified risks have low probability and low impact.

Table 4

Risks and mitigation measures

Risks	Risk rating	Mitigation measures
Political/governance	Low	Stability and continuity: Government stability and continuity are not at risk; Adequate resources and commitment: Project is well-aligned with government priorities and strategies.
Macroeconomic	Low	Macroeconomic indicators have a very strong track record of growth and stability; both external and internal accounts exhibit historic no/low-deficit trends. Fiscal space at both capital account and current account are healthy and pose no risk.
Sector strategies and policies	Low	Project is closely aligned with sector policies and strategies (e.g. Rural Revitalization)
Institutional capacity	Moderate	Although the implementing agency the Provincial Department of Agriculture and Rural Affairs (DARA) has significant capacity for project implementation, the proposed bottom-up approach of strengthening poor households through upgraded cooperatives might pose a moderate risk. To mitigate the risk, extensive training of officials and monitoring are planned.
Fiduciary Financial management	Moderate	Despite significant improvements, public financial management remains a challenge at the local level. Lack of qualified staff and high turnover at the district level are common. The mitigation strategy includes (i) adequate numbers of capable finance staff with more relevant educational background and work experience will be appointed at each level of project management offices (PMOs) to quickly adapt to financial management requirements and accounting practices; and (ii) capacity building for staff at implementing agencies in the early phase.
Procurement*	Low	Overall procurement functions and controls are robust. Principles of efficiency, effectiveness, integrity, transparency and accountability are well in place and ensured.
Environment and climate	Moderate	The project has a low-to-moderate risk of adverse environmental impacts. All these potential impacts are reversible and can readily be remedied by appropriate preventive action and/or mitigation measures, as outlined in the Environmental and Social Management Plan (ESMP). The potential climate risk of this project is classified as "moderate."

Social	Low/Moderate	There is a low-to-moderate likelihood that exogenous social risk could adversely affect achievement of the project's objectives or operations. Social risks are minimal thanks to well-targeting principles and strategy.
Other specific risks	N/A	
Overall	Low	

B. Environment and social category

33. **Environment and social category:** The project is classified as Category B. The project has a low-to-moderate risk of adverse environmental impacts. All these potential impacts are reversible and can readily be remedied by appropriate preventive action and/or mitigation measures, as outlined in the ESMP.

C. Climate risk classification

34. **Climate risk classification:** The potential climate risk of this project is classified as "moderate." The project will finance a series of hard and soft investments aimed at reducing the risks and negative impacts associated with changes in weather and climate conditions and promote climate-resilient production.

D. Debt sustainability

35. China reported a government debt equivalent to 47.60 per cent of the country's GDP in 2017. According to the data released in March 2019 by China's State Administration of Foreign Exchange, as of the end of 2018, the foreign debt balance was just under US\$2 trillion, with the foreign debt balance-to-GDP ratio standing at 14.4 per cent. However, China remains at low risk of external debt distress.

IV. Implementation

A. Organizational framework

Project management and coordination

36. **Lead implementing agency:** DARA will be the lead implementing agency. The Provincial Project Management Office will be established within DARA.
37. **County Project Management Offices:** The major implementation responsibilities of the project lie with the counties. County Project Management Offices will be established at the County Bureau of Agriculture and Rural Affairs. Relevant technical bureaus in the counties will be mobilized to support implementation of the related project activities.
38. **Project Joint Meeting:** At the provincial level, a coordinating committee comprising at least the Provincial Department of Finance (DOF), the Provincial Department of Agriculture and Rural Affairs, the Provincial Development and Reform Commission and the Provincial Office of Poverty Alleviation is expected to be established to provide overall guidance and coordination of project implementation. Involvement of the Women's Federation, Youth League, the Meteorological Service and the Human Resources and Social Security Bureau is also recommended.
39. **Role of the Agricultural Information Institute of the Chinese Academy of Agricultural Science:** The project would enter into an agreement with the Agricultural Information Institute of the Chinese Academy of Agricultural Science to perform major M&E, knowledge management and policy dialogue functions (i.e. conducting baseline, midline, and endline surveys; data analysis; impact assessments; policy notes, etc.).

Financial management, procurement and governance

40. **Role of the Ministry of Finance:** The Ministry of Finance will be the agency responsible for repayment of the loan. The loan proceeds will be onlent to the Department of Finance (DOF) of Yunnan Province, where the loan proceeds will be further onlent to county bureaus of finance, under the same terms and conditions, without additional fees. DOF will have primary responsibility for the administration of project resources. At the county level, the funds will be transferred from the bureaus of finance to PMOs, and the latter will forward the funds to relevant project implementing agencies for the project implementation, based on the expenditures incurred under the approved annual work plan and budgets.
41. **Designated account:** A designated account (DA) denominated in the currency of the loan shall be opened for the IFAD loan, through which IFAD funding shall be channelled. The DA is to be set up at and managed by the DOF. The DOF will be directly responsible for the management, maintenance and reconciliation of DA activities.
42. **Retroactive financing:** Provision is made for retroactive financing from the IFAD financing of up to US\$7.5 million for eligible expenditures incurred from 7 January 2020 to the date of the financing agreement's entry into force. Eligible expenditures for retroactive financing are considered those incurred to finance the start-up and preparation project activities.
43. **Financing of taxes:** To boost the efficiency of funds flow and better support project implementation, IFAD's financing will be used to finance taxes for an estimated amount of US\$2.1 million. The government's financial contribution to the project is US\$115 million, which is more than 54 times the amount of taxes (US\$2.1 million) financed by IFAD.
44. **Procurement of goods, works and services** shall be carried out in accordance with the Government of China National Procurement Guidelines supplemented by the implementation manuals and any subsequent amendments to the extent such are consistent with IFAD Procurement Guidelines, IFAD Procurement Handbook and its subsequent.
45. **Governance and financial risk assessment:** Based on the results of the financial management assessment performed for this project, the current organizational structure of the implementing agencies is considered appropriate. The flow-of-funds arrangements are considered conducive to proper implementation of the project. The necessary accounting standards, policies, procedures, asset management, budgeting, audit, reporting and accounting systems are in place. The project's overall financial risk is rated as "moderate."
46. **Audit:** The Provincial Audit Office, an independent body under the National Audit Office, will audit the project, in keeping with international audit standards.
47. **Fraud and corruption:** The National Supervisory Committee will be the independent competent authority responsible for receiving, reviewing and investigating allegations of fraud and corruption.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

48. **Learning, knowledge management and South-South cooperation:** The project knowledge management strategy would be built on the following key elements:
 - (i) The establishment of an effective M&E framework to monitor implementation progress and provide the evidence for learning;
 - (ii) Regular workshops at different levels to share knowledge, experiences, innovations and best practices and promote South-South cooperation;

- (iii) The promotion of study tours, exposure and exchange visits, both inside and outside the country, as a vehicle for knowledge sharing and South-South cooperation.

Innovations and scaling up

49. **Innovations:** Anticipated innovations include:

- (i) Innovative *chanye fupin* models: The project will introduce and pilot an upgraded *chanye fupin* model, where the role and capacity of farmers' cooperatives to act as the vehicle/entry point for pursuing inclusiveness through agribusiness development will be piloted;
- (ii) Traceability systems: The project will support the adoption of a county traceability system, a trusted system to ensure that food safety requirements are met and occasional breaches identified, thus building consumer trust in food standards and certification;
- (iii) Business incubation centers: The project will support the creation and operationalization of business incubation centers, platforms to support entrepreneurship and business start-up programs;
- (iv) Disbursement against results: The project will pilot an innovative disbursement mechanism, i.e. disbursing project funds allocated for a subset of activities against the achievement of agreed and independently verifiable targets or milestones considered important to meeting project objectives. Specifically, disbursements for activities aimed at promoting pro-poor farmers' cooperatives under subcomponent A.1 will be triggered by the number of cooperatives that meet defined operational standards that make them "pro-poor" (disbursement-linked indicator), as confirmed by an independent third-party verification agency.

50. **Policy engagement and scaling-up:** The policy engagement and scaling-up framework relies on the following elements:

- (i) Champions: The project will closely engage national and provincial stakeholders as champions to learn and replicate ideas and experiences derived from the project;
- (ii) Drivers: There is a mix of (i) market forces associated with the growing demand for safe, high-quality food; and (ii) genuine policy interest on the part of the government, particularly the Ministry of Agriculture and Rural Affairs, in observing how some of its policies and strategies can best be operationalized or adjusted;
- (iii) Pathway: The pathway for policy engagement and scaling-up would include the following steps: (i) regular monitoring of project progress and results, which will yield evidence for learning; (ii) learning and stocktaking of lessons and best practices, including through possible analytical works, etc.; (iii) regular workshops, seminars and other learning events at different levels to share knowledge, experiences, innovations and best practices and inform policymakers;
- (iv) IFAD's role: IFAD will provide the necessary expertise, contributing to the monitoring of results and to knowledge management that will serve as a catalyst for the scaling-up process.

C. Implementation plans

Implementation readiness and start-up plans

51. **Implementation readiness:** Yunnan has extensive experience in implementing foreign-funded projects, including IFAD-funded projects; the last one, the Yunnan Agriculture and Rural Infrastructure Project, was completed in 2018. The PMO has experience in implementing an Asian Development Bank-funded project. To further

mitigate the risks of start-up delays, provision is made for retroactive financing to the project to finance start-up activities and facilitate prompt project execution.

Supervision, midterm review and completion plans

52. **Supervision, mid-term review and completion plans:** IFAD and the Government will undertake project supervision activities that include at least one annual supervision, a mid-term review and a completion review.

V. Legal instruments and authority

53. 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.
54. The People's Republic of China is empowered under its laws to receive financing from IFAD.
55. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

56. 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 of seventy-four million eight hundred thousand United States dollars (US\$74,800,000) 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: "Yunnan Rural Revitalization Demonstration Project"

(Negotiations concluded on 17 April 2020)

Loan Number:

Project Title: (*Yunnan Rural Revitalization Demonstration Project*) (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), the Allocation Table (Schedule 2), and Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, 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 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, through Yunnan Province, use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

4. The amount of the Loan is seventy four million eight hundred thousand United State dollars (USD 74 800 000).
5. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding at a rate equal to the IFAD Reference Interest Rate with fixed spread, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of thirty (30) years, including a grace period of five (5) years starting from the date that the Fund has determined that all General Conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b).
6. The Loan Service Payment Currency shall be the United States dollars (USD).
7. The first day of the applicable Fiscal Year shall be 1st January.
8. Payments of principal and interest shall be payable on each 1st May and 1st November.

9. There shall be one Designated Account denominated in USD opened and maintained by the Department of Finance of Yunnan Province (DOF) in a commercial bank for the exclusive use of the Project to receive the Loan proceeds (the "Designated Account"). DOF will be directly responsible for the management, maintenance and reconciliation of the DA activities.

10. The Borrower shall, through Yunnan Province, provide counterpart financing for the Project in a total amount equivalent to indicatively USD 115.3 million in cash and in kind. Project beneficiaries are expected to provide a contribution in cash or in kind of indicatively USD 2.8 million, contributions of participating enterprises and cooperatives expected to be leveraged by the Project are to indicatively USD 41.6 million based on estimates made during Project design. The counterpart funds shall be recorded in the project accounting software.

Section C

11. The Lead Implementing Agency shall be the Department of Agriculture and Rural Affairs (DARA) of Yunnan Province. The Provincial Project Management Office (PPMO) will be established within DARA.

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

13. For the purpose of this Agreement, Disbursement Linked Indicator (DLI) means the indicator that will be used to trigger the disbursement of funds for activity A.1.1: Number of pro-poor professional farmer cooperatives meeting agreed operational standards, as further specified in the Project Implementation Manual (PIM).

Section D

14. The Financing will be administered and the Project supervised by the Fund. In addition to supervision missions which shall normally be carried out every six months, the Fund shall conduct in accordance with Section 8.03 (b) and (c) of the General Conditions a mid-term review to be carried out towards the third year of Project implementation.

Section E

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

- (a) The PPMO and at least one County Project Management Office (CPMO), the respective key Project staff shall have been selected;
- (b) The Borrower, through the Lead Implementing Agency, shall have submitted, and the Fund shall have received, an official document confirming the availability of counterpart funds for the first Project Year;
- (c) The Designated Account shall have been duly opened and the names of authorized signatories shall have been duly submitted to the Fund;
- (d) The PIM shall have been approved by IFAD; and
- (e) A computerized accounting system in compliance with national standards and acceptable to the Fund, shall have been identified and selected by the PPMO.

16. No disbursements shall be made for Activity A.1.1 "Promoting pro-poor farmer cooperatives" under Category IV "Training RBL" of Schedule 2 until and unless the Borrower, through the Lead Implementing Agency, has furnished evidence satisfactory to IFAD (verification report) that the DLI has been met and confirmed by an independent third-party verification agency according to the verification Protocol as provided for in the PIM.

17. The following is designated as an additional ground for suspension of the right of the Borrower to request disbursements under the Loan: The PIM, or any provision thereof, has been waived, suspended, terminated, or modified without the prior consent of the Fund, and after consultation with the Borrower through the Lead Implementing Agency, the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

18. Without prejudice to the provisions of the General Conditions, the deadline for making the first disbursement under the Loan is the date no later than 18 months from the entry into force date of this Agreement.

19. 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 of the People's Republic of China
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 and is agreed in two (2) original copies one (1) for the Fund and one (1) for the Borrower.

PEOPLE'S REPUBLIC OF CHINA

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Project area.* The project will be implemented in seven counties within the four municipalities/prefectures of Zhaotong, Dali, Lijiang and Nujiang in the North-East and Western part of Yunnan province (i.e. Zhenxiong and Suijiang counties in Zhaotong municipality; Yunlong and Yongping counties in Dali prefecture; Huaping and Yongsheng counties in Lijiang municipality; and Lanping county in Nujiang prefecture), selected according to the defined criteria: poverty incidence, presence of industries with a market potential, and commitment of the local government to the objectives and proposed approach of the project. Possible changes of county also need to reflect these criteria, with prior no objection of IFAD.

2. *Target Population.* Within the project area, focus will be given on relative poor (i.e. households who have been registered at least once in the Poor Registration System since 2014). Among the project beneficiaries, specific focus will be given to vulnerable groups (i) women; (ii) youth; and (iii) ethnic minorities.

3. *Goal and development objective.* The project goal is to sustainably maintain the poor and vulnerable households in the project area out of poverty. The development objective is to enhance the income generating opportunities for the poor and vulnerable households in the project area, and the inclusiveness of the benefit sharing mechanisms from agro-industries.

4. *Components.*

Component A: Supporting Inclusive Rural Development: This component aims at favouring the economic development of the project area, by (i) promoting improvements in the implementation of one of the Government's currently adopted poverty reduction model and approach: *chanye fupin*; and (ii) stimulating additional and more diversified income opportunities in the project areas, by providing services and stimulating local entrepreneurship, and attracting new investors in agricultural or non-agricultural activities. This component is organized along three sub-components:

Sub-component A.1: Improving the implementation of *chanye fupin* models: This sub-component will support the piloting/demonstration of innovative/improved *chanye fupin* models, with specific focus on promoting/strengthening the role of cooperatives as vehicle/entry point for pursuing inclusiveness through agribusiness development. Key activities under this sub-component include:

A.1.1: Promoting pro-poor farmer cooperatives: The project will provide support to interested or newly established cooperatives to reach operational standards (as defined in the PIM) which qualify them as 'pro-poor standard cooperatives'. Disbursement for this activity will be triggered by the number of cooperatives that meet defined operational standards that qualify them 'pro-poor', as confirmed by an independent third-party verification agency. The amount of the accrued expenditures to be recognized against the achievement of the agreed target will be recognized on the basis of the actual costing/expenditures incurred to reach this target, evidenced by the documentation of the actual expenditures.

A.1.2: Supporting certified pro-poor farmer professional cooperatives: Successfully certified pro-poor farmer professional cooperatives will be eligible to apply for a special matching funds from the Project, whose conditions would be more favourable

than those under the other models under this component. This funding will be provided based on an approved business plan.

Sub-component A.2: Stimulating entrepreneurship/attracting investors: This sub-component will provide incentives and support to entrepreneurs and investors (particularly young and women) to start their own business in the project area.

Sub-component A.3: Improving access to finance: This sub-component will stimulate financial service innovations to improve access to finance in the project area in support of Sub-component A.1 and A.2.

Component B: Climate-proofed public infrastructure planning and development:

This component aims at improving and expanding the infrastructure systems in the project area through a combination of physical improvements, institutional strengthening and capacity building to improve road access, water security, and prevent soil erosion, and reduce the risks and the impacts associated to changing weather and climate conditions and promote a sustainable and climate resilient agricultural production. This component is organized along two sub-components:

Sub-component B.1: Improving infrastructures' climate resilience: This sub-component will support the improvement of climate-risk analysis, planning and decision-making, and the development and improvement of the underdeveloped and/or deteriorated water irrigation, water harvesting and water delivery systems in the project area.

Sub-component B.2: Improving rural infrastructure system: This sub-component will address some of the major gaps in the current infrastructure system in the project area, which may limit or constrain the implementation of the proposed project activities, and help reducing the vulnerability to the impact of climate change. All infrastructures supported under this sub-component will be climate-proofed.

Component C: This component will support the planning, coordinating, monitoring, reporting and overall management functions of the project management offices (PMOs) at provincial and county level.

II. Implementation Arrangements

A. Organization and Management

1. **Lead implementing agency (LIA):** The Department of Agriculture and Rural Affairs of Yunnan Province (DARA) shall be the Lead implementing agency. The Provincial Project Management Office (PPMO) will be established in DARA to exercise the day-to-day functions of Project management.

2. **The Yunnan Provincial Department of Finance (DOF)** will have the primary responsibility for the administration of project resources.

3. **Project Joint Meeting:** At provincial level, a coordinating committee comprising at least the DOF, the DARA, the Provincial Development and Reform Commission (PDRC), and the Provincial Office of Poverty Alleviation is expected to be established to provide overall guidance and coordination of the project implementation. Similar coordination committees led by the county mayors will be established at county level.

4. **Prefecture Project Management Offices:** Prefecture Project Management Offices will be established at the Prefecture Bureau of Agriculture and Rural Affairs to provide guidance and coordination of project implementation in the counties.

5. **County Project Management Offices (CPMO):** County Project Management Offices (CPMOs) will be established at the County Bureau of Agriculture and Rural Affairs. Relevant technical bureaus in the counties (such as water conservancy, meteorological, transportation bureaus, etc.) to support the project implementation in the related activities of the project as per need.

CPMOs will be in charge of day to day management of project activities, overseeing project designs, implementing and supervising project activities, arranging for counterpart-funding and local labour contribution, preparing annual work plans, financial plans, procurement plans, monitoring and reporting on project progress, outputs, and outcomes.

6. **Implementing Support Units:** Implementing Support Units will be established in the Project townships to facilitate project implementation, targeting and related monitoring activities.

7. **Provincial PMO (PPMO):** A dedicated provincial PMO (PPMO) shall be set up within DARA. It will be responsible for project coordination, management support, monitoring and reporting, ensuring adherence to agreed standards, guidelines, and procedures, providing overall guidance on operational aspects to the various implementing units, and facilitating intra-knowledge transfer among project provinces and with external domestic and international agencies.

8. **Organisation and staffing** The Project Management Office (PMO) organization structure is composed of the Director who has overall responsibility for Project management and a Finance Manager who has financial responsibility overseeing an accountant and a cashier. In addition, PMOs will be staffed with officers who have experience in and would be responsible for project planning and implementation, financial management, procurement, monitoring and evaluation, gender and youth mainstreaming. They will also be assisted by officers from the technical line bureaus of Water Resources, Agriculture, Forestry, and Finance at the corresponding level. Township Implementation Support Unit will rely on existing staff to exercise the related duties and functions for project implementation.

9. **Service Providers and Technical Specialists** will be engaged by the PMOs to support the implementation especially in areas where existing capacity may be inadequate, for this purpose appropriate budget has been envisaged in the Project costing.

10. Result-based lending

10.1 **Disbursement** for activity A.1.1 "Promoting pro-poor farmer cooperatives" will be triggered upon the achievement of a number of cooperatives that meet defined operational standards that make them 'pro-poor' (disbursement-linked indicator- DLI as defined in the PIM) which will be verified by an independent third-party verification agency (VA) in accordance with the verification protocol as further specified in the PIM.

10.2 **Independent third-party Verification Agency:** An independent third-party verification agency will be contracted by the project after the no objection of IFAD to the selected agency, to verify that the DLI target set for the said activity that (i.e. number of cooperatives that meet defined operational standards) is achieved.

10.3 **Verification protocol:** The CPMO will record the cooperative information in a database on a regular basis and be responsible for the accuracy of the information. Cooperatives meeting all the agreed eligibility requirements will be reported to the PPMO

on a semi-annual basis. The VA will conduct a verification of all cooperatives deemed to meet the agreed operational standards in a given DLI disbursement period according to the verification protocol as agreed in the PIM. Confirmation that the disbursement-linked indicators (DLI) target has been achieved will be through a letter of confirmation or verification report to IFAD. The verification protocol for DLI, will include: definition of indicator and targets; baseline data; source of data; frequency and timing of reporting; reporting responsibility; and methodology for verification, such as sampling and site visits.

11. **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.

12. **Monitoring and evaluation (M&E).** The Project shall establish an M&E system, which will integrate IFAD Core Indicators (CIs) 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; (iii) make M&E data accessible and available in line with relevant laws and regulations in China, through a user-friendly management information system (MIS) that integrates information and allow regular 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.

13. **Project Implementation Manual (PIM).** The PPMO shall prepare, with inputs from the CPMOs, a draft PIM and submit it to the Fund for approval. The draft PIM 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 also for DLIs; (v) M&E system and procedures; (vi) DLIs; (vii) The Financial Management Manual; (viii) Verification protocol of DLIs.

The PIM may be amended if and when necessary, and the Project shall adopt the amended PIM substantially in the form approved by the Fund.

14. **Business Plans (BPs) cooperation agreement.** Agribusiness entities and county PMOs shall sign a cooperation 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 cooperation agreement. Key information of the cooperation 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	Category description	Loan Amount Allocated (expressed in USD)	% of Eligible Expenditures net of all other contributions
I	Works		17 790 000	100%
II	Goods, Services and Inputs		7 510 000	100%
III	Grants & Subsidies	Chanye Fupin Projects	39 730 000	100%
IV	Training - RBL		1 440 000	100%
V	Operating Costs		850 000	100%
	Unallocated		7 480 000	
	Total		74 800 000	

2. The Borrower may withdraw the proceeds of the Loan to finance the following category on the basis of Results (DLR or Disbursement linked results) achieved by the Borrower against specific indicators (DLI).

The following table specify each category of withdrawal of the proceeds of the Loan (including DLI), the DLR for each category and the allocation of the Loan to each category:

Category	Disbursement Linked Result	Amount of the loan allocated in USD
IV. Training -RBL	Number of pro-poor professional farmer cooperatives meeting agreed operational standards	1 440 000
TOTAL		1 440 000

3. The terms used in the Tables above are defined as follows:

"Category I Works" shall mean eligible expenditures for improving rural infrastructure system under component B.2 as described in Schedule 1.

"Category II Goods, Services and Inputs" shall mean eligible expenditures for goods , service, inputs, equipment , materials, consultancies and workshop and all other training for the Project, except for the training under Category IV "Training-RBL".

"Category III Grants and Subsidies"/"Chanye Fupin Projects" shall mean eligible expenditures related to Chanye Fupin projects supporting inclusive rural development in component A.1 and A.2.

“Category IV Training RBL” shall mean eligible expenditures for the upgrading of cooperatives to meet operational standards.

“Category V Operating Costs” shall mean eligible expenditures for salaries, allowances, and operating costs under Component A.2 of Schedule 1.

“Unallocated”: the amount under the unallocated is not immediately available for disbursement until this amount has been allocated to the Categories specified in the Schedule 2. The unallocated amount will facilitate the reallocation of categories in cases of overdraft.

4. *Retroactive Financing.* As an exception to section 4.08(a)(ii) of the General conditions, expenditures not exceeding USD 7.5 million incurred from 7 January 2020 to the date of the entry in force of this Agreement, may be pre-financed by the Government and reimbursed from the Financing after this Agreement provided that this Agreement has entered into force and the conditions precedent to withdrawal have been met.

Eligible expenditures are start-up and preparation project activities such as: (i) purchase of essential items (including equipment and procurement of necessary software) for the PMOs; (ii) recruitment of project staff and/or consultants and procurement of technical assistance; (iii) costs related to tendering, selection, and recruitment of service providers; (iv) costs related to the finalization of the program implementation manual, customization of accounting software to fit IFAD requirement and license fees, start-up trainings and workshops; (v) establishment of the M&E system, including carrying-out of the baseline survey and development of MIS; (vi) exposure visits for knowledge and experiences sharing; (vii) surveys and feasibility studies; (viii) recruitment of service providers.

Schedule 3*Special Covenants*

1. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall ensure that the Project will be implemented in compliance with national laws and regulations regarding social, environmental and climate-related safeguards as well as the Fund's Social, Environmental and Climate Assessment Procedures.
2. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, taking appropriate action to prevent, mitigate and combat Prohibited Practices.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility		
Outreach	1 Persons receiving services promoted or supported by the project				Project M&E, Household Surveys	Baseline, Annual and Completion surveys	PPMO, M&E	Continuity of government socio-economic policies and poverty reduction strategies and political commitment. (A) Farmers slow/relevant tendency towards cooperative led organizations. (R) Cooperatives thrive as per government new laws and regulations. (A)	
	Females - Number		22943	45885					
	Males - Number		22943	45885					
	Young - Number		6882	27531					
	Indigenous people - Number		27531	55062					
	Total number of persons receiving services - Number of people		45885	91770					
	Young - Percentage (%)		15	30					
	1.a Corresponding number of households reached				Project M&E, Household Surveys	Baseline, Annual and Completion surveys	PPMO, M&E		
	Women-headed households - Number			26460					
	Non-women-headed households - Number			61740					
Households - Number		44100	88200						
1.b Estimated corresponding total number of households members				Project M&E, Household Surveys	Baseline, Annual and Completion surveys	PPMO, M&E			
Household members - Number of people		207270	414540						
Project Goal Poor and vulnerable rural households are sustainably out of poverty in the project area	%age of households with income growth higher than the county average growth				Project M&E, Household Surveys, Govt Statistics	Baseline and Completion surveys	PPMO; M&E	Continuity of economic, social and marketing stability in the target project area. (A) Poverty is a dynamic process associated with different socio-economic shocks, so maintaining zero rural poverty will be subject to such shocks (R)	
	female-headed households - Percentage (%)			80					
	ethnic households - Percentage (%)			80					
	total households - Percentage (%)			80					
Development Objective Enhancing the income generating opportunities in the project area for poor and vulnerable households, and the inclusiveness of the benefit-sharing mechanisms from industries	At the end of the project, targeted households achieve at least a 30% increase in annual income from project-supported activities				Project M&E, Government Statistics	Baseline, Mid-term and completion surveys	PPMO, M&E	Providing investment opportunities/ benefit sharing mechanism through enhanced and standard cooperatives to the poor farmers lead to high income. (A) Farmers reluctance to go with cooperative led value chain and industry model. (R)	
	total households - Number			79380					
	female headed hhs - Percentage (%)			90					
	ethnic hhs - Percentage (%)			90					
	2.2.1 New jobs created				Project M&E, Government Statistics	Baseline, Mid-term and completion surveys	PPMO, M&E		
	Job owner - men - Number			700					
	New jobs - Number			2000					
	Job owner - women - Number			1300					
	Job owner - young - Number			200					
	Participating women report an adequate empowerment score in pro-WEAI index				pro-WEAI survey	baseline, and completion	PPMO		
women - Percentage (%)		0	50						
Outcome 1. Strengthen the participation of poor and vulnerable population in rural economic growth	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or				Project M&E Reports	Baseline, yearly after Mid-term and completion	PPMO, M&E	Cooperative management are committed to smallholder membership. (A) Cooperatives are increasingly member-driven and responsive to smallholder needs. (A) Weak Farmers might be influenced by rich farmers (R)	
	Number of POs - Number		42	140					
	2.2.4 Supported rural producers' organizations members reporting new or improved services provided by their organization				Project M&E Reports	Baseline, yearly after Mid-term and completion surveys	PPMO, M&E		
Number of POs - Number		4000	11760						

Output 1.1 Up-grade/develop Pro-poor farmer cooperatives	Pro-poor Farmer Professional Cooperatives meeting the operational standards cooperatives - Number	14	35	Project M&E Reports	Baseline, yearly and Completion surveys	PPMO, M&E	Design estimates are realistic (A) Farmers are committed to abide by new cooperatives law (A)
Output 1.2 Private co-investment in	Number of co-investment plans supported under the project Plans - Number	50	178	Project M&E Reports	Baseline, yearly and Completion	PPMO, M&E	Private agro-investors are interested to join/share farmers cooperatives income sharing mechanism
Output 1.3 Establishing county	Agro-Entities adopting digitalized traceability system agro-entities - Number	35	70	Project M&E Reports	Baseline, yearly and Completion	PPMO, M&E	Continued policy support to farmer cooperatives and private enterprises. (A)
Outcome 2. Improved climate information and adaptation advice used by farmers	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices Households - Percentage (%)		15	Project M&E Reports, Service provider report	Baseline, yearly after Mid-term and completion surveys	PPMO, M&E	Farmers will participate in climate information services workshop/centers (A) Climate sensitivity is new phenom and might not be welcomed overwhelmingly. (R)
	Total number of household members - Number of people		62181				
	Households - Number		13230				
Output 2.1 Improving climate information and adaptation advice	3.1.2 Persons provided with climate information services Persons provided with climate information services - Number		14700	Project M&E Reports , Service provider reports	Baseline, yearly and Completion surveys	PPMO	
Outcome 3. Improve business opportunities for rural households	2.2.5 Rural producers' organizations reporting an increase in sales Percentage of rural POs - Percentage (%)	10	70	Project M&E Reports, Government Statistics	Baseline, yearly after Mid-term and completion surveys	PPMO	Continuity of economic, social and marketing stability in the target project area (A). Enterprise/cooperative management are committed to smallholder membership. (A)
Output 3.1 Business development/support provided by service centers	2.1.2 Persons trained in income-generating activities or business management Females - Number		19845	Project M&E, Household Surveys, Cooperative registers	Baseline, yearly and Completion surveys	PPMO, M&E	Small holder farmers are interested to join upscale value chain and willing to pay related subscription and for the services. (A) Failure of farmer cooperatives and private enterprises to cooperative standards and farmers needs and excluding poor farmers from joining value chain development (R)
	Males - Number		19845				
	Young - Number		11907				
	Not Young - Number		27783				
	Persons trained in IGAs or BM (total) - Number		39690				
Output 3.2 Investment Support for start-ups	Start-up businesses of young people /women entrepreneurs supported total start-ups - Number	80	140	Project M&E, Household Surveys, Cooperative registers	Baseline, yearly and Completion surveys	PPMO, M&E	Small holder farmers are interested to join upscale value chain and willing to pay related subscription and for the services. (A) Failure of farmer cooperatives and private enterprises to cooperative standards and farmers needs and excluding poor farmers from joining value chain development (R)
	start ups of young people - Number		98				
	start ups of women - Number		70				
Output 3.3 Improved access to finance	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services Females - Number		9065	Project M&E, Household Surveys, Cooperative registers	Baseline, yearly and Completion surveys	PPMO, M&E	Fls willing to participate in government rural revitalization strategy programme (A) Communities are willing to access credit. (A) Poor Farmers' (lack of) capacity to access and to pay back. (R)
	Males - Number		9065				
	Young - Number		5400				
	Not Young - Number		12730				
	Persons in rural areas trained in FL and/or use of FProd and Services (total) - Number		18130				
Outcome 4. Climate resilient infrastructure	2.2.6 Households reporting improved physical access to markets, processing and storage facilities Households reporting improved physical access to markets - Percentage (%)		15	Impact Assessment Reports, Project Reports	Baseline, yearly after Mid-term and Completion surveys	PPMO, M&E	Adequate participation in climate related information training (A)
	Households reporting improved physical access to processing facilities - Percentage (%)		20				
	Households reporting improved physical access to storage facilities - Percentage (%)		20				
Output 4.1 Improved infrastructure and systems for climate	3.1.4 Land brought under climate-resilient practices Hectares of land - Area (ha)		8820	Impact Assessment Reports, M&E	Baseline, yearly and Completion surveys	PPMO, M&E	Local leaders and farmers are sensitive of the issue and assessment studies will find adequate sites for rainwater harvest (A)
Output 4.2 Improved Rural Infrastructure	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated Hectares of land - Area (ha)		3600	Impact Assessment Reports, M&E	Baseline, yearly and Completion surveys	PPMO and M&E	Communities assume responsibility for use, maintenance and management of facilities invested in by the project (A)
Output stand alone output: Policy	Policy 1 Policy-relevant knowledge products completed Number - Number		3	M&E reports	yearly and Completion surveys	PPMO and M&E	Commitment of Provincial stakeholders to the policy value of the project