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**President's report**  
**Proposed loan**  
**People's Republic of China**  
**Gansu Rural Revitalization Demonstration Project**  
**(G2RDP)**

Project ID: 2000003837

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**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 82.

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## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower/recipient:</b>	People's Republic of China
<b>Executing agency:</b>	Department of Agriculture and Rural Affairs of Gansu Province
<b>Total project cost:</b>	EUR 205.69 million
<b>Amount of IFAD Borrowed Resource Access Mechanism (BRAM) loan:</b>	EUR 79.69 million
<b>Terms of IFAD loan:</b>	Ordinary, with a maturity period of 18 years, including a grace period of 3 years, subject to interest at a rate equal to the IFAD reference interest rate including a variable spread
<b>Contribution of borrower/recipient:</b>	EUR 121 million
<b>Contribution of private sector:</b>	EUR 5 million
<b>Amount of IFAD climate finance:</b>	EUR 48.67 million

## I. Context

### A. National context and rationale for IFAD involvement

#### National context

1. Decades of growth and development have resulted in China bringing the percentage of its population living in poverty – i.e. living on US\$1.9 per day – to below 1 per cent. However, 24.7 per cent of the population still live below the poverty line of upper-middle-income countries. Two thirds of these people reside in rural areas and are vulnerable to falling back into poverty due to natural disasters induced by climate change.
2. Agricultural growth has significantly contributed to China’s attainment of Sustainable Development Goal (SDG) 1 (no poverty) and progress on SDG 2 (zero hunger), despite the sector’s declining share in overall national GDP and the negative impact and pressure on the environment.
3. The Government adopted a Rural Revitalization Strategy in 2017, aimed at achieving its vision of a more affluent and prosperous society by 2050. This strategy focuses on bridging urban-rural gaps and transforming rural areas into attractive places across multiple dimensions, including the economic, eco-environmental, social and ethical, governance- and resilience-related dimensions. Considering China’s commitment to transitioning from a resource-intensive economy to a green economy, and its commitment to prioritizing quality in its growth model, challenges are faced in the implementation of the Rural Revitalization Strategy, especially in areas such as low productivity, environmental sustainability, climate resilience and rural-urban inequality.
4. The province of Gansu lags behind other provinces in terms of development. The most recent data indicate Gansu’s total GDP as ranking 27<sup>th</sup> among the country’s 31 provinces and municipalities, and its per capita GDP as ranking lowest. Farmers’ net income corresponded to 60.5 per cent of the national income level in 2022, and the agricultural sector generated 45 per cent of rural household income in 2020.
5. Agriculture is, however, vulnerable to environmental impacts and lacks the implementation of modern technology. Smallholder farmers face challenges in market linkages and sustainable practices. Efforts are being made to promote agribusinesses, enhance research and establish a legal framework for land tenure and asset rights.
6. The Ministry of Agriculture and Rural Affairs is primarily responsible for the development of agriculture, rural areas and farmers. Its provincial department, the Department of Agriculture and Rural Affairs (DARA), leads its work in the province.

#### Special aspects relating to IFAD’s corporate mainstreaming priorities

7. In line with IFAD’s mainstreaming commitments, the project has been validated as:
  - Including climate finance
  - Gender-transformational
  - Youth-sensitive
  - Including adaptive capacity
8. **Gender.** The latest government survey showed that rural women play a more significant role in economic and social development compared to a decade ago. Despite conducive government programmes for women’s development, challenges remain in terms of inequality in opportunities, rights and socioeconomic participation, and discrimination. The urbanization process has also resulted in low rural wages, increased housework for women and the feminization of agriculture.

9. **Youth.** Rural youth typically experience difficulties such as low educational attainment, limited employment opportunities and access to social services, and cultural marginalization. Many rural young people relocate to urban areas in search of better livelihoods, but often encounter issues of social isolation. Some remain in their home counties but struggle to adapt to the changing economic and social context.
10. **Climate change and the environment.** The province of Gansu is highly impacted by climate change. It is located in the northwest of China, where the climate is arid and semi-arid, and precipitation is scarce and uneven. Gansu is also facing increasing risks from extreme weather events and desertification, due to rising temperatures and more frequent drought, which reduces forest coverage.
11. Gansu is a geographically diverse and environmentally fragile province that faces challenges concerning water scarcity, soil erosion and pollution. However, in recent years, the province has made considerable efforts to safeguard and restore its ecological environment, and to promote sustainable and low-carbon development. The project will leverage these initiatives to further enhance climate resilience.
12. **Ethnic minorities.** Ethnic minorities present a diversity of sociocultural heritage. According to the Seventh National Population Census, conducted in 2020, Gansu is home to 44 ethnic minority groups that comprise 2.38 million people, which is equivalent to 9.3 per cent of the region's total population.
13. In most rural areas, ethnic minorities have benefited from the preferential policy of the Government, which has provided for infrastructure construction, ecological protection, cultural preservation and tourism development, resulting in improved living conditions, increased income and enhanced social participation of rural ethnic minorities through various interventions. These interventions continue to be pursued by the Government to ensure employment and job stability among rural ethnic minorities, and to enhance their human capital and economic potential.

#### **Rationale for IFAD involvement**

14. The rural revitalization process presents opportunities for investments in modernizing agricultural production at scale, and in revitalizing rural livelihoods in a climate-resilient and community-governed manner. The modernization of agriculture is expected to lead to improved agricultural efficiency, reduced operating and financial costs, and increased income for both individual households and leading players of the agricultural value chains.
15. The adoption of green agricultural practices is key to addressing environmental pollution, non-sustainable use of natural resources, losses and waste derived from production and post-harvest management, negative impacts of the agricultural sector on the ecosystem and biodiversity, and vulnerability to the impacts of climate change.
16. IFAD has the comparative advantage of having experience in carrying out inclusive and pro-poor rural development that targets rural vulnerable and disadvantaged groups, while also focusing on community-governed mechanisms, climate-smart and value chain-led agricultural development, institutional development, creation of public-private partnership models, and capacity-building of smallholder farmers and their organizations.
17. The Government has called upon IFAD to bring its expertise and innovative approaches to support the rural revitalization process. This is to be done by demonstrating the replicable development of business models with innovative and scaling-up potential. In addition, the project will foster the building of sustainable rural institutions by leveraging financing in project areas, and will contribute to global public goods in terms of reducing carbon emissions, contributing to environmental conservation, and generating knowledge and experience in arid and semi-arid agriculture and in adaptive rural community-building and governance.

## B. Lessons learned

18. The recently conducted country strategy and programme evaluation provided valuable lessons for the project design, including the need for:
  - Continued strategic support for inclusive agricultural value chains through different modalities, with targeted support to cooperatives through inclusive mechanisms and sustainable capacity-building.
  - A focus on sustainable natural resources management and climate change mitigation and adaptation, within the context of rural revitalization in China and creation of global public goods beyond China.
  - Projects to focus on environment and natural resources management and climate change adaptation, targeted at marginal areas and smallholders.
19. Additional lessons were drawn from the regulatory impact assessments of recently completed and ongoing IFAD projects in China. These are:
  - The importance of rural infrastructure for production improvement that benefits target groups effectively.
  - The need for alignment with government programmes and strategies to ensure project success in achieving results, mobilizing cofinancing and ownership.
  - Regarding the value chain approach, that smallholders' activities will be profitable and sustainable mostly when they work collectively and/or establish business linkages with agribusiness entities in value chains that facilitate the provision of services and access to markets.
  - The importance of focusing on climate, as climate adaptation measures are imperative in project design and implementation, including production diversification, climate-resilient infrastructure and facilities, insurance, and adoption of agronomic and engineering technologies.

## II. Project description

### A. Objectives, geographical area of intervention and target groups

20. The project goal is to contribute to the consolidation of SDG 1 (no poverty), SDG 2 (zero hunger), SDG 5 (gender equality) and SDG 13 (climate action), and to food security, with innovative and scalable good practices.
21. The development objective is to support the country's ongoing Rural Revitalization Strategy by demonstrating inclusive and innovative business models that promote sustainable and climate-resilient agriculture, and by building community adaptive capacities through the adoption of green and resilience concepts in rural revitalization.
22. The primary expected outcomes are: (i) to improve the access of rural households to opportunities to participate in and benefit from rural economic growth through the use of climate-smart technologies and practices in green agriculture; and (ii) to build adaptive capacity in community-governed sustainable rural development.
23. The project will be implemented over six years, from 2025 to 2030.
24. **Geographic coverage.** Five counties are covered by the project, selected on the basis of the following criteria: (i) risk of continued vulnerability of former nationally and provincially designated poor counties; (ii) relative geographical concentration for future implementation efficiency; (iii) opportunities for inclusive and climate-resilient green agricultural development; (iv) potential for innovative ecosystem protection and conservation; and (v) strong commitment of the county government to participate in the project's implementation. The counties are:

<i>Prefecture</i>	Wuwei	Baiyin	Pingliang	Tianshui	Dingxi
<i>Counties</i>	Tianzhu	Jingtai	Huating	Maiji	Weiyuan

25. **Outreach, scope and targeting.** The project has the potential to directly serve and support 108,000 rural households, which extends its benefits to a total of 351,500 of household members. Direct participation by women is estimated at more than 50 per cent, and at 30 per cent for young people. Special attention will be paid in the project targeting strategy to ensuring the inclusion of ethnic minorities.
26. **Targeting strategy and target group.** The project will continue IFAD's core targeting approaches in the country by applying geographical and inclusive targeting strategies. The project will target formerly registered poor groups and the low-income segments, which are economically active but remain vulnerable and risk falling back into poverty should natural and socioeconomic shocks occur. The strategy aims to foster inclusive access to resources and opportunities provided by the project for rural men, women, youth and ethnic minorities in the project area.

## **B. Components, outcomes, and activities**

27. The project will have the following components: (i) sustainable green agricultural development; (ii) building community resilience capacity; and (iii) policy and management.
28. **Component 1. Sustainable green agricultural development** will promote and safeguard socioeconomic inclusiveness, while introducing green technologies to foster market-led, industrialized transformation and productive capitalization. Component 1 has three subcomponents:
- **Subcomponent 1.1 – Inclusive support to smallholder farmers**, which aims to reach the most disadvantaged segments of the project's target group through tailored interventions.
  - **Subcomponent 1.2 – Eco-friendly transformation**, which aims to promote the adoption of green and modern technologies.
  - **Subcomponent 1.3 – Public productive infrastructure**, which will address identified gaps in the current agricultural production infrastructure system.
29. **Component 2. Building community resilience capacity** aims to build community-based assets and capacities as an integral part of improved rural livelihoods under the ongoing Rural Revitalization Strategy.
- **Subcomponent 2.1 – Participatory planning and good governance** will support the Government's guiding principles in good governance, especially regarding the focus on the basic role of villages' self-governance.
  - **Subcomponent 2.2 – Climate-resilient community infrastructure and service facilities** will address identified gaps in the current civil infrastructure system, including rural road networks, safe drinking water, sewage and solid waste systems, and renewable energy.
30. **Component 3. Policy and management** will focus on policy engagement, South-South and Triangular Cooperation (SSTC) and institutional capacity-building, monitoring and evaluation (M&E) and knowledge management (KM), prudent financial management, effective procurement management and overall project management.
- ## **C. Theory of change**
31. Evolving agricultural modernization and rural transformation pose the risk of reduced demand for rural labour and the marginalization of smallholder farmers.

Other prevailing challenges and risks include: (i) uneven agricultural productivity and underdeveloped agricultural value chains; (ii) lack of sufficient and inclusive capital investments for smallholder production; (iii) gaps in public infrastructure systems; (iv) negative impacts on the ecosystem and biodiversity; and (v) absence of adaptive capacity-building for beneficiary-governed management systems in rural development. These challenges highlight the need for sustainable green agriculture, and inclusive rural development for the province.

32. The Gansu Rural Revitalization Demonstration Project (G2RDP) will address these challenges through tailored project components, outcomes and activities. As a consequence: (i) the income-generating capacity of women and youth will be built; (ii) access to finance and rural public infrastructure (markets, green tools and technologies) and services will be improved; (iii) capacity of cooperatives and agribusinesses will be strengthened, leading to the creation of new jobs and employment opportunities (particularly for women and youth); and (iv) climate adaptation and greening in agricultural and food systems will be improved. In addition, the increased income will enhance social cohesion and women's empowerment.
33. The project's success is based on: (i) sustained government investment in rural revitalization in the sectors and areas of the project; (ii) appropriate institutional coordinating mechanisms; (iii) community engagement and beneficiary participation; and (iv) suitable management of social, environmental and climate-related risks.
34. Consequently, the project will support the ongoing Rural Revitalization Strategy in Gansu, contributing innovative and scalable good practices.
35. A schematic representation of the theory of change is attached as appendix IV.

#### **D. Alignment, ownership, and partnerships**

36. **SDGs alignment.** While the project scope remains highly relevant to various SDGs, it is expected to contribute to the achievement of four key SDGs, as detailed in paragraph 20.
37. **Alignment with government policies and strategies.** The project aligns well with the key objectives of the ongoing 14<sup>th</sup> Five-Year Plan (2020–2025) and the elaboration of the annual No.1 Central Document of the Government. The project aims to contribute to the realization of the Rural Revitalization Strategy.
38. The project also aligns with relevant strategies in Gansu, namely: (i) several opinions of the Central Committee of the Chinese Communist Party and the State Council on the implementation of the Rural Revitalization Strategy, launched in February 2018; (ii) Implementation Plan for Rural Revitalization Strategy of Gansu Province, launched in February 2019; and (iii) Comprehensively Promoting Rural Vitalization and Speeding up Agricultural Rural Modernization, launched in January 2021.
39. **Alignment with IFAD policies and strategies.** The project is aligned with IFAD's Strategic Framework 2016–2025. It complies with IFAD's principles of engagement and mainstreaming priorities by being gender-transformative and youth-sensitive, including climate finance and building adaptive capacity. The project also incorporates support for innovation, learning, scaling up and partnerships.
40. The G2RDP is in line with the current country strategic opportunities programme (COSOP) (ending in 2024), and draws on key concepts and ideas being discussed with the Government in the formulation of the new COSOP (2025–2030), such as investments in inclusive and sustainable food and agriculture systems focusing on smallholders, promoting resilient climate-smart rural livelihood options, and



leveraging China's expertise, innovation and development finance for agriculture and food systems transformation at the regional and global levels through SSTC.

## E. Costs, benefits and financing

41. Project components 1 and 2 are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is estimated at EUR 48.67 million, or 61.1 per cent of the IFAD financing.

### Project costs

42. The total project cost is estimated at EUR 205.69 million, over a six-year period. IFAD will provide a loan of EUR 79.69 million. The balance of EUR 126 million will be jointly financed by the Government and private sector enterprises.

Table 1

#### Project costs by component and financier

(Thousands of euros)

Component	Borrower/recipient		IFAD loan		Private sector		Total	
	Amount	%	Amount	%	Cash/in-kind	%	Amount	%
1. Sustainable green agricultural development	85 065	58.5	55 783	38.4	4 470	3.3	145 317	70.6
2. Building community resilience capacity	33 225	60.5	21 121	38.5	530	1.0	54 876	26.7
3. Policy and management	2 710	49.3	2 786	50.7	-	-	5 497	2.7
<b>Total</b>	<b>121 000</b>	<b>58.8</b>	<b>79 690</b>	<b>38.8</b>	<b>5 000</b>	<b>2.6</b>	<b>205 690</b>	<b>100.0</b>

Table 2

#### Project costs by expenditure category and financier

(Thousands of euros)

Component	Borrower/recipient		IFAD loan		Private sector		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment costs</b>								
A. Goods, service and inputs	-	-	18 046	100.0	-	-	18 046	8.8
B. Goods, service and inputs	45 765	100.0	-	-	-	-	45 765	22.2
C. Goods, service and inputs	-	-	-	-	1 431	100.0	1 431	0.7
D. Works	-	-	42 406	100.0	-	-	42 406	20.6
E. Works	72 525	100.0	-	-	-	-	72 525	35.2
F. Works	-	-	-	-	3 039	100.0	3 039	1.6
G. Grants and subsidies	-	-	19 238	100.0	-	-	19 238	9.3
<b>Total investment costs</b>	<b>118 290</b>	<b>58.4</b>	<b>79 690</b>	<b>39.4</b>	<b>4 470</b>	<b>2.2</b>	<b>202 450</b>	<b>98.4</b>
<b>II. Recurrent costs</b>								
A. Operating costs *	2 710	75.1	-	-	530	24.9	3 240	1.6
<b>Total recurrent costs</b>	<b>2 710</b>	<b>75.1</b>	<b>-</b>	<b>-</b>	<b>530</b>	<b>24.9</b>	<b>3 240</b>	<b>1.6</b>
<b>Total</b>	<b>121 000</b>	<b>58.8</b>	<b>79 690</b>	<b>38.8</b>	<b>5 000</b>	<b>2.6</b>	<b>205 690</b>	<b>100.0</b>

\* For infrastructure, operations and maintenance under component 1.3 and component 2.2.

Table 3

**Project costs by component and project year (PY)**

(Thousands of euros)

<i>Component</i>	<i>PY1</i>		<i>PY2</i>		<i>PY3</i>		<i>PY4</i>		<i>PY5</i>		<i>PY6</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Sustainable green agricultural development	19 008	13.1	87 408	60.1	24 432	16.8	7 864	5.4	4 640	3.2	1 966	1.4	145 317
2. Building community resilience capacity	10 007	18.2	26 457	48.2	10 276	18.7	6 016	11.0	1 045	1.9	1 074	2.0	54 876
3. Policy and management	1 098	20.0	940	17.1	965	17.6	893	16.2	930	16.9	669	12.2	5 497
<b>Total</b>	<b>30 113</b>	<b>14.6</b>	<b>114 805</b>	<b>55.8</b>	<b>35 673</b>	<b>17.3</b>	<b>14 773</b>	<b>7.2</b>	<b>6 615</b>	<b>3.2</b>	<b>3 709</b>	<b>1.8</b>	<b>205 690</b>

### **Financing and cofinancing strategy and plan**

43. The county governments, through their relevant technical bureaux, will provide counterpart funding and physical infrastructure investments targeted by the project through various complementary programmes. The county governments will also cofinance some of the investments relating to infrastructure and services for agro-industries. Private and public sector agribusiness entities will provide funds for investment in equipment and working capital, ascertained through the development and approval of business plans. Commitment from the county governments has been ascertained, and financing for the initial two years already secured. Provisions will be made for retroactive financing by IFAD to foster project implementation at the start-up stage.

### **Disbursement**

44. The Gansu Provincial Finance Department will maintain one designated account for the project for receipt of the IFAD loan proceeds. IFAD will transfer funds to the project using the revolving fund mechanism through quarterly withdrawal applications.
45. The flow of funds from the province to the counties will use a reimbursement mechanism in local currency, channelled through the designated account to the project accounts in the county bureaux of finance, and subsequently to the eligible beneficiaries, based on the supporting documentation.
46. The Government's share in financing comprises counterpart funding for payment of applicable taxes (EUR 8.06 million), other in-kind contributions and part of project management costs.

### **Summary of benefits and economic analysis**

47. **Estimation of benefits and beneficiaries.** The project is expected to reach around 108,000 households and 351,500 people directly, of whom at least 50 per cent will be women and 30 per cent youth.
48. A financial analysis has only been conducted on component 1, as activities under component 2 generate public goods that are difficult to quantify. For component 1, 12 financial models were developed to conduct the benefit-cost analysis and estimate the internal rate of return and the net present value.
49. The economic analysis (component 1 only) yields an economic internal rate of return of 23 per cent, with an economic net present value of CNY 975.44 million, using a discount rate of 8 per cent. These figures indicate that the project is economically viable. A sensitivity analysis (switch value) was carried out to test the robustness of two key factors, namely output price decline and cost increase. The economic viability of the project appears to be more sensitive to benefit reduction (output price decline) than cost increases.

### **Exit strategy and sustainability**

50. The project's exit strategy and sustainability are built on the complementarity of the project's sustainable approach with interventions in the ongoing government Rural Revitalization Strategy.
51. Social sustainability will be achieved through social inclusion, differentiated targeting of disadvantaged target segments, and promotion of active participation and leadership. Financial sustainability will be pursued by adopting various strategies including improved productivity, adoption of green and sustainable technologies, value chain development with risk-sharing and cofinancing from the private sector, enhanced skills and resilience, and diversified incomes of target groups. Environmental sustainability will be realized through green technologies and good practices, to preserve natural resources and ecosystems that support human well-being and biodiversity.

52. Comprehensive exit and sustainability strategies will be refined during implementation and regularly monitored and evaluated, particularly at midterm review. Project stakeholders will be involved in planning for a sustainable exit.

### III. Risk management

#### A. Risks and mitigation measures

53. The overall residual risk of the project is assessed as moderate, as detailed in the integrated project risk matrix. Risks will be addressed through continuous monitoring and close supervision during implementation. Three key risks and their mitigation measures are highlighted below.
54. **Continued vulnerability to climate change.** Vulnerability to climate change has direct impacts on rural livelihoods. To mitigate this, the project directly invests in adopting climate-smart technologies and seed varieties, building climate-resilient assets, diversifying income and strengthening collective resilience.
55. **Covariant risk in agri-industrial and sectoral specialization.** The risk of surplus and price drop from production specialization will be mitigated by diversifying investments to ensure a balance between small and large agribusinesses and providing smallholder farmers with support for “courtyard” economy, income diversification and agri-insurance.
56. **Financial management (FM) risks in disbursement.** Overall, the FM risk is rated as moderate. Based on assessment at the country, entity and project levels, the main FM risks come from complex project structure, and lack of qualified financial and project staff. As mitigating measures, FM staff will be trained and a detailed financial manual and project procurement guidelines will be developed. Accounting software will be procured for the project at start-up. Cross-learning and peer support will be mobilized among IFAD projects.

Table 4

**Overall risk summary**

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Moderate	Moderate
Sector strategies and policies	Moderate	Low
Environment and climate context	Moderate	Moderate
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Moderate	Moderate
Project procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Moderate
<b>Overall</b>	<b>Moderate</b>	<b>Moderate</b>

#### B. Environment and social category

57. The environmental and social risk category for G2RDP is rated as moderate. An Environmental, Social and Climate Management Plan has been developed to manage the environmental and social risks during project implementation.

#### C. Climate risk classification

58. The climate risk classification for this project is moderate. The main climate-related hazards affecting the project area have been identified as drought, flooding, low temperatures and hailstorms. Sensitivity and vulnerability to climate hazards will be reduced through the implemented project activities. Adaptive capacity and climate resilience in the project area will also be significantly improved.

## D. Debt sustainability

59. China has a moderate overall risk of sovereign stress.<sup>1</sup> Debt is expected to rise over the medium-to-long term, but it can be stabilized with a gradual fiscal adjustment over 2025–2035. Medium-term liquidity risks as analysed by the gross financing needs module are high. However, China's partially closed capital account and the Government's ample financial assets mitigate liquidity risks. To contain debt risks, China could seek to reduce public investments and close its structural revenue gap through comprehensive tax reforms.

## IV. Implementation

### A. Organizational framework

#### Project management and coordination

60. The project will be managed by the Provincial Department of Agriculture and Rural Affairs. A provincial project management office (PMO) will be set up and staffed adequately with key functions for operations. Similarly, county PMOs will be set up in each county's Bureau of Agriculture and Rural Affairs (BARA) with a similar staffing structure and functions. A senior leader from the DARA/BARA will be appointed as the PMO director for overall management and coordination. Relevant technical bureaux will support implementation of the related project activities.
61. An inter-agency coordination mechanism at both provincial and county levels will be established, to exercise the essential supervisory and coordination functions. A vice-governor of the county will chair these coordination mechanisms. The All-China Women's Federation and the Communist Youth League of China in the counties will be assigned responsibilities for supporting women and youth in the project areas.
62. A village implementing group will be set up in each of the project's administrative villages, with adequate representation of farmers, women and youth.
63. Partnership with the United Nations community in the country, participating line agencies, the private sector and technical players from civil society will be pursued where relevant, for example with the China Social Entrepreneur Foundation for women entrepreneurship training and incubation, and the International Centre for Agricultural Research in the Dry Areas for technical assistance and innovative farming models. Partnerships with related government agencies and other stakeholders, such as the United Nations Industrial Development Organization (UNIDO), for the purposes of SSTC, will also be fostered.

#### Financial management, procurement and governance

64. **Financial management.** The FM staffing will be provided by the provincial PMO and county PMOs. Budgeting will be undertaken through the annual workplan and budget (AWPB) preparation process and disbursement will be arranged through the designated account opened at the provincial department of finance. The treasury accounts of each county will be used as project accounts for receiving loan funds. Fund flow will follow the revolving fund mechanism, which is outlined in the Project Financial Management and Financial Control Handbook for Borrowers and the Financial Management and Financial Control Arrangements Letter.
65. The FM system will be supported by the rigorous treasury system of the county bureaux of finance, which will monitor and verify the reporting of expenditures. Key internal control procedures will also be specified in the project implementation manual and financial management manual. Chinese Accounting Standards will be applied for the project. The interim financial report format and submission deadlines for annual financial reporting are provided in the financial management manual.

<sup>1</sup> International Monetary Fund (IMF) Country report No 24/38, China, 2023 Article IV Consultation, February 2024.

66. Project financial reports will be audited by the provincial audit office. The audit report will follow a specific format and timeframe, as specified in the IFAD Handbook for Financial Reporting and Auditing.
67. **Procurement.** Legal, regulatory and policy frameworks in China are clear and aligned with international procurement practices. Procurement of goods, works and consulting services financed by IFAD will follow a procurement plan and should be in accordance with the IFAD Procurement Guidelines, the IFAD Project Procurement Handbook, relevant procurement policies, and national procurement laws and regulations. China's national procurement laws and corresponding implementation manuals will be applied for procurement financed by the Government's counterparts.
68. The procurement plan of the first 18 months and the general procurement notice will be established based on the project procurement strategy. Project procurement arrangements specifying thresholds and prior review requirements will be established to guide procurement activities.
69. A provincial procurement agency with a proven track record will be recruited to provide technical assistance and professional services for project procurement.
70. **Governance and anticorruption.** The project will apply IFAD's anticorruption policy in guiding operations. IFAD will not finance expenditures for goods, works or consulting services that have not been procured in accordance with the IFAD Project Procurement Guidelines and the financing agreement. In such cases, IFAD may, in addition, take remedial action under the financing agreement, including cancellation of the amount in question from the loan account by declaring it ineligible.

#### **Target group engagement and feedback and grievance redress**

71. The project will enhance target group engagement and feedback through its vertical institutional structure and associated departments and agencies. A stakeholder engagement plan will be developed for project implementation. Principles and steps to develop and operationalize the project-level grievance redress mechanism (GRM) are included in the project's Environmental, Social and Climate Management Plan; existing grievance systems used by the Government from central to county level will also be used. Village implementing groups will be trained on the GRM, and project information will be transparently and promptly publicized to the target groups. Stakeholders and beneficiaries will be fully informed about the GRM and IFAD's Complaints Procedure at start-up and during implementation.

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

72. **Planning.** The project will be implemented based on an AWPB. The provincial PMO will consolidate the county AWPBs and submit for IFAD's no objection prior to their effectiveness.
73. **Monitoring and evaluation.** An M&E system will be established to track results and support decision-making at the output, outcome and impact levels, with logical framework indicators, core outcome indicators and a management information system. Budget and staffing requirements are spelled out in the project design report.
74. **Knowledge management.** To enhance the learning process and the dissemination of results, a KM and communication strategy with a related action plan will be developed and integrated as part of project management. The budget for KM will be included in the AWPB. The strategy and action plan will indicate thematic areas of learning and the most appropriate channels for knowledge dissemination. The project will pursue knowledge-sharing through the SSTC mechanism.

### **Innovation and scaling up**

75. **Innovative potential.** The project has identified relevant innovations for possible adaptation, replication and scaling up. These include: (i) business plan financing for inclusive participation of smallholder farmers and their organizations in agricultural value chain development; (ii) a sustainable community management model; (iii) adoption of green technologies by value chain actors of different levels; and (iv) rural ecotourism for diversification and rural labour transformation.
76. **Scaling up.** The project design draws on scalable good practices from recently completed and ongoing IFAD projects in China. The project will elaborate a scaling-up strategy once operations commence and the potential of good practices and innovations becomes evident. These will be linked closely with the project's KM, policy engagement and SSTC in terms of planning and execution.

## **C. Implementation plans**

### **Implementation readiness and start-up plans**

77. The financing agreement will stipulate priority actions as a condition for withdrawal, including set-up of an effective PMO structure and its preliminary staffing. This will also include the setting up of the inter-agency coordination mechanism, the opening of a designated account, a no objection of the revised project implementation manual, first-year counterpart financing and an AWPB with a detailed procurement plan to help ensure readiness for project implementation. Plans have been envisaged for start-up support, set-up of an M&E and management information system, and staff capacity-building.

### **Supervision, midterm review and completion plans**

78. IFAD and the Government will conduct joint annual supervision missions and provide follow up support to review implementation progress, identify bottlenecks and assist the PMOs in improving implementation. A midterm review is tentatively scheduled for 2027.

## **V. Legal instruments and authority**

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

## **VI. Recommendation**

82. 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-nine million six hundred and ninety thousand euros (EUR 79,690,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario  
President

# Negotiated financing agreement

(Negotiations concluded on 12 September 2024)

Loan No: [            ]

Project name: Gansu Rural Revitalization Demonstration Project (G2RDP) (the "Project")

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

and

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

(each a "Party" and together the "Parties")

**WHEREAS**, the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

**WHEREAS**, the Fund has agreed to provide financing for the Project;

**NOW THEREFORE**, 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 the Special Covenants (Schedule 3).
- 2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, 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 for the provisions identified 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, unless the Parties shall otherwise agree in this Agreement.
- 3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## Section B

- 1. The amount of the loan is seventy-nine million six hundred ninety thousand Euros (EUR 79 690 000).
- 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 including a variable spread, 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 as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.



3. The Loan Service Payment Currency shall be in Euros.
4. The first day of the applicable Fiscal Year shall be the 1st of January.
5. Payments of principal and interest shall be payable on each 15<sup>th</sup> January and 15<sup>th</sup> July.
6. The Department of Finance of Gansu Province shall maintain one Designated Account (DA) in Euro, for the exclusive use of the Project. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. The Borrower shall, through Gansu Province, provide counterpart financing for the Project in the amount of approximately one hundred and twenty-six million Euro (EUR 126 million) in cash and/or in kind.

### **Section C**

1. The Lead Project Agency shall be the Provincial Department of Agriculture and Rural Affairs (DARA) of the Gansu Province. An inter-agency coordination mechanism (IACM) at county level will be established to supervise and coordinate Project implementation.
2. A Mid-Term Review shall be conducted as specified in Section 8.03(b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such other date as the Fund may designate in consultation with the Borrower.
4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

### **Section D**

1. The Fund will administer the Loan and supervise the Project.

### **Section E**

1. The following is designated as an additional ground for cancellation of this Agreement:
  - (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least twelve (12) consecutive months without justification subsequent to the first eighteen (18) months from the Effective Date.
2. The following are designated as additional specific conditions precedent to withdrawal:
  - (a) The IFAD no objection to the PIM shall have been obtained.
  - (b) Key Project staff at provincial and county level Project Management Offices has been appointed as per Section II, Schedule 3 of this Agreement.
  - (c) IFAD must receive, a duly completed Authorised User(s) Letter, from the designated representative or a sufficiently senior delegated official, designating the name(s) of official(s) authorised to approve Withdrawal Application(s) and Interim Financial Reports (IFR).

(d) The first Annual Work Plan and Budgets (AWPB) shall have been submitted and received a no-objection from IFAD.

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

For the Borrower:

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

For the Fund:

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

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

PEOPLE’S REPUBLIC OF CHINA

\_\_\_\_\_  
"[Authorised Representative Name]"  
"[Authorised Representative title]"

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Alvaro Lario  
President

Date: \_\_\_\_\_

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall support approximately 108,000 rural households and will benefit around 351,500 people. Female direct participation is estimated at 50%, and youth at 30%; the Project will also specifically engage ethnic minorities in China.
2. *Project area.* The Project will target four counties and one district that have been proposed by the Government as project counties/districts, including Tianzhu, Jingtai, Huating, Maiji and Weiyuan. These areas have been selected based on (i) risk of continued vulnerability of the former nationally and provincially designated poor counties; (ii) relative geographic concentration for future implementation efficiency; (iii) opportunities for inclusive and climate-resilient green agricultural development; (iv) potential for innovative eco-system protection and conservation; and (v) strong commitment of county government to participate in the Project implementation. Any modification to the Project areas may be done upon prior no-objection of IFAD.
3. *Goal.* The goal of the Project is to contribute to the consolidation of no poverty (SDG1) and the gains made towards zero hunger (SDG2), gender equality (SDG5), climate action (SDG13) and using innovative and scalable good practices.
4. *Objectives.* The objective of the Project is to support the country's ongoing Rural Revitalization programme by demonstrating inclusive and innovative business models that promote sustainable and climate-resilient agriculture while building community adaptive capacities.
5. *Components.* The Project will include the following components:
  - 5.1 **Component 1: Sustainable green agricultural development.** It aims to promote and safeguard the socio-economic inclusiveness of smallholders in agricultural modernization and Rural Revitalization and will have three subcomponents focusing on (1.1) inclusive support to smallholder farmers, (1.2) eco-friendly transformation, and (1.3) public productive infrastructure.
  - 5.2 **Component 2: Building community resilient capacities.** It aims to build the community-based well-being assets and capacities as an integral part of the improved rural livelihoods under the ongoing Rural Revitalization programme.
  - 5.3 **Component 3: Policy and institutional capacity building.** It will highlight policy engagement, institutional capacity building, Monitoring and Evaluation (M&E), Knowledge Management (KM) and South-South Triangular Cooperation (SSTC) activities, and overall project management.

#### II. Implementation Arrangements

6. *Lead Project Agency.* The Project will be implemented by the Provincial Department of Agriculture and Rural Affairs (DARA) of the Gansu Province in China at provincial level. DARA is a provincial-level government agency responsible for promoting the development of agriculture and rural areas, aiming at achieving the goals of modernizing agriculture, increasing farmers' income, improving rural living standards, and building a harmonious society in Gansu province.
7. *Project Management Offices (PMO).* A Provincial Project Management Office (PPMO) will be set up in DARA, which will be staffed adequately with key functions necessary for the management of the Project, including but not limited to an executive Project Director; a Finance Officer and Accountant; as well as officers coordinating: Agriculture and

Agribusiness Development; Planning, M&E and Knowledge Management; Procurement; and SECAP-related work including Gender and Youth/ Social Inclusion (the "Key Project Personnel"). Similarly, County Project Management Office (CPMO) will also be set up in the specific county Bureau of Agriculture and Rural Affairs (BARA) with similar staffing structure.

8. *Project Oversight Committee.* An inter agency coordination mechanism will be established at county level to provide policy guidance and implementation oversight of the Project, as well as to ensure implementation of China's environmental and social safeguards policy. A County Vice Governor will lead the coordination and supervision through such a mechanism with members from relevant technical agencies.

9. *AWPB.* The Project will be implemented based on an AWPB which identifies the activities that will be carried out in each Fiscal Year, the Lead Project Agency, the resources, and the time needed to complete them and a procurement plan. The PPMO will consolidate the draft AWPBs prepared by each county and submit for IFAD's No Objection prior to its effectiveness.

10. *Monitoring and Evaluation.* An M&E system will be established from the outset of the project spanning the entire project cycle, for tracking progress and supporting decision-making. Key M&E deliverables required throughout the project cycle by project stage would be: Start up: recruitment of M&E service provider if PMO is not able to assume due functions by itself; assignment of M&E focal points at all levels followed by capacity building; validation of project Theory of Change (TOC) and Log frame; making M&E plan; set-up of Management Information System (MIS); undertaking Core Outcome Indicator (COI) baseline survey and reporting. Implementation: elaboration of AWPB; semi-annual and annual progress and results reports; contribution to annual supervision missions; mid-term review survey and report; training on M&E. Completion: COI completion survey and reporting; project completion report; impact assessment when required.

11. *Knowledge Management.* KM will be used both as an adaptive management tool to help the Project to build practical and actionable knowledge and know-how that lead to improved project performance and results, and supports innovation, scaling up and country-level policy engagement. The Project will ensure KM related activities are included and budgeted in the AWPBs. KM responsibilities will be assigned to focal points at PMOs of all levels, who shall orient project staff through guidance and training for KM implementation. The Project KM activities/approaches will focus on, among others: (i) capturing and documenting experiences, lessons, and successful cases resulting from project activities, especially regarding the project's innovative models and approaches that could be replicated and scaled-up, inform policy-making - or shared with other developing countries through south-south cooperation; (ii) study tours, exposure and exchange visits, both in the country and outside the country for peer learning and sharing knowledge; (iii) organizing and participating workshops to share knowledge, innovations and best practices; and (iv) well designed and operational information management systems, including electronic archives that enable easy access to data, reports and other documentation.

12. *Project Implementation Manual.* The PIM provides guidelines for implementation of the G2RDP. The PIM indicates the overall Project framework and highlights the principles of engagement for the Project; it provides a Project description detailing components, subcomponents, and activities as Project interventions in support of the Project's development objective and expected outcomes. The PIM also provides guidance on the structure and operations of the planning, monitoring, evaluation and knowledge management, policy engagement, and SSTC functions which will be put in place by the Project. The PIM is a living document that maybe amended from time to time as agreed between IFAD and the Borrower (through Gansu Province). Prior to dissemination of the PIM to counties, IFAD must provide a no-objection.

## 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/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:

<b>Category</b>	<b>Loan Amount Allocated (expressed in EUR)</b>	<b>Percentage eligible for IFAD financing including indirect taxes as applicable</b>
Goods, Services, Inputs & Works	79 690 000	100%
<b>TOTAL</b>	<b>79 690 000</b>	

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

“Goods, Services, Inputs & Works”: includes goods, vehicles and services as well as works and infrastructure-related expenditures.

The Percentage is applied to Project expenditures, including indirect taxes and shares of other financiers.

(c) Co-financing:

(I) “Counterpart financing” referred to in Section B, paragraph 7 of the Agreement includes the Gansu Provincial Government contribution, equivalent to one hundred twenty-one million Euros (EUR 121 000 000) for productive support, infrastructure, capacity building and project management, and the private sector contribution of five million Euros (EUR 5 000 000) for eco-friendly transformation and Operations and Maintenance of infrastructure, both in cash and / or in kind.

## 2. *Disbursement arrangements*

Retroactive financing.

As an exception to section 4.07 (a)(ii) of the General Conditions, specific eligible expenditures incurred after the date the Project has been approved by the IFAD Executive Board until the date of entry in force of this Agreement shall be considered eligible up to an amount equivalent to seven million nine hundred sixty-nine thousand Euros (EUR 7,969,000) for activities relating to the Project’s start-up and preparatory activities such as: (i) purchase of essential items (including equipment and procurement of MIS system) for the PMOs; (ii) recruitment of Project staff; (iii) costs related to tendering, selection, and recruitment of service providers; (iv) costs related to the finalization of the program implementation manual, customization of accounting software to fit IFAD requirements 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) training and technical assistance for agribusiness entities and cooperatives, including recruitment of service providers.

Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no-objection from IFAD to be

considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.3 of the Agreement are fulfilled.

### Schedule 3

#### *Special Covenants*

#### **I. General Provisions**

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within six (6) months of entry into force of the Financing Agreement, the Project shall have identified and installed a customized accounting software as is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. *Planning, Monitoring and Evaluation.* The Borrower (through Gansu Province) shall ensure that a Planning and M&E system shall be established within twelve (12) months from the date of entry into force of this Agreement.
3. *Gender and Social Inclusion.* The Borrower (through Gansu Province) shall ensure that the Project will increase the socio-economic empowerment of rural women including young women and women in the project areas by setting an overall outreach target at 50% women and 30% youth. The Project will pay particular attention to the empowerment of women by: (i) expanding their access to and control over resources; (ii) strengthening their agency, decision making role in community affairs, and representation in local institutions; and (iii) building on their untapped potential for sustainable development
4. *Ethnic Minorities Concerns.* Where applicable and in compliance with 2021 SECAP Procedures of the Fund, the Borrower (through Gansu Province) shall ensure that the concerns and rights of ethnic minorities are given due consideration and respect in implementing the Project and, to this end, shall ensure that:
  - a. the Project is carried out in accordance with the applicable provisions of the relevant national legislation; and
  - b. ethnic minorities are adequately and fairly represented in all local planning for Project activities.
5. *Land tenure security.* If applicable, the Borrower (through Gansu Province) shall ensure that the land acquisition process and compensation processes are consistent with the 2021 SECAP Procedures of the Fund.
6. *Anticorruption Measures.* The Borrower shall comply with IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations.
7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
8. *Use of Project Equipment during Project implementation.* The Borrower (through Gansu Province) shall ensure that:
  - (a) all equipment procured under the Project is exclusively allocated for the Project implementation;

- (b) the equipment procured under the Project is appropriate to the needs of the Project; and
- (c) all equipment transferred to or procured under the Project are dedicated solely to Project use.

9. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower (through Gansu Province) shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the ICP. The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the ICP in relation to the procurement of goods, works, services, consultancy, and non-consulting services. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

10. *The Key Project Personnel is* defined in Schedule I. The Key Project Personnel shall be assigned or recruited based on qualifications, experience and terms of reference satisfactory to IFAD and in accordance with Section 7.16 of the General Conditions.

## **II. SECAP Provisions**

1. The Project is assessed as presenting moderate environmental and social risks and moderate climate risk. In line with IFAD's SECAP requirements, the Borrower shall carry out the implementation of the project in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Framework (ESCMF), Environmental, Social and Climate Management Plan (ESCMP), Stakeholder Engagement Plan (SEP) and Free, Prior and Informed Consent (FPIC) Plan, there after called the "Management Plans", as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund. The Parties shall not amend, vary or waive any provision of the Management Plans, unless: (i) agreed in writing by IFAD and the Borrower (through Gansu Province) and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plans.

2. The Borrower (through Gansu Province) shall not, and shall cause the Lead Project Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Project affected persons have been consulted and compensated, as applicable, in accordance with the FPIC principles.

3. The Borrower (through Gansu Province) shall ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the Environmental and Social Management Plans prepared for the Project and consistent with the 2021 SECAP Procedures of the Fund.

4. In the case of serious ESHS incident, defined as a serious incident, accident, complaint with respect to environmental, social (including labor and adjacent community), health and safety (ESHS) issues that occur in the context of the loan or within the Borrower's activities. Serious ESHS incidents may involve (i) environmental; (ii) occupational; (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower<sup>1</sup> which(i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse

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<sup>1</sup> For example, any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse.



attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities), the Borrower (through Gansu Province) shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

5. The Borrower (through Gansu Province) shall ensure or cause the Lead Project Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plans are respected.

6. Without limitation on its other reporting obligations under this Agreement, the Borrower (through Gansu Province) shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans on a semi-annual basis upon submission of the progress and results reports - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower (through Gansu) will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans promptly after becoming aware of such a breach.

7. In the event of a contradiction/conflict between the Management Plan and the Financing Agreement, the Financing Agreement shall prevail.

# Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	<b>1 Persons receiving services promoted or supported by the project</b>				Project M&E	Annually	PMOs	Sustained investment from government to rural revitalization in the sectors/areas of this project (A)  Marginalization of smallholder farmers and their organizations lagging in active participation and equitable sharing of development opportunities and benefits in the middle of industrialized agricultural sector modernization, agri-value chain development, and rural livelihood reengineering (R)
	Males - Number		102 000	154 000				
	Females - Number		68 000	154 000				
	Young - Number		34 000	92 400				
	Indigenous people - Number		5100	12 320				
	Total number of persons receiving services - Number		170000	308 000				
	Male - Percentage (%)		60	50				
	Female - Percentage (%)		40	50				
	Young - Percentage (%)		20	30				
	<b>1.a Corresponding number of households reached</b>				Project M&E	Annually	PMOs	
Women-headed households - Households		4 000	8 000					
Non-women-headed households - Households		46 000	100 000					
Households - Households		50 000	108 000					
<b>1.b Estimated corresponding total number of households</b>				Project M&E	Annually	PMOs		
Household members - Number of people		170 000	367 200					
<b>Project Goal</b> Contribute to the consolidation of no poverty (SDG1) and no hunger (SDG2), and food security with innovative and scalable good practices and	<b>Supported rural households reporting growth rate of per capita disposal income with above national average level</b>				COI survey, Government Statistics	Baseline, Mid-term and completion	PPMO, M&E service provider	Continuity of economic, social and marketing stability in the target project area. (A)  Uncertainty remain with regard to human and animal epidemics, climate disasters
	Total households - Percentage (%)		60%	80%				
	Women-headed households - Percentage (%)		50%	70%				
<b>Development Objective</b> Support the country's ongoing Rural Revitalization by piloting inclusive and innovative business models in promoting sustainable and climate-resilient agriculture and building community adaptive capacities in the project area of Gansu Province	<b>1.2.2 Households reporting adoption of new/improved inputs, technologies or practices</b>				COI survey	Baseline, Mid-term and completion	PPMO, M&E service provider	Innovative and effective models and good practices supported by the project are adopted and replicable for scaling up through demonstration, knowledge management and proper uptake (A)  Farmers reluctance to go with cooperative/enterprise/village led value chain or adopt the improved technologies or practice. (R)  Communities and beneficiary participation are fully consulted during project design (A)  The baseline, mid-term and completion surveys could interview the same group of sampled respondents for empowerment assessment (A)
	Households		3 000	21 600				
	Households (%)		30%	60%				
	Number of people		10 500	75 600				
	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>					Baseline, Mid-term and completion	PPMO, M&E service provider	
	Households - Percentage (%)		20%	40%				
	Households - Households		800	3 600				
	Total number of household members - Number of people		2 720	12 240				
	<b>SF.2.1 Households satisfied with project-supported services</b>				COI survey	Baseline, Mid-term and completion	PPMO, M&E service provider	
	Households (%) - Percentage (%)		50%	75%				
	Households (number) - Households		25 000	81 000				
	Household members - Number of people		85 000	275 400				
	<b>SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers</b>				COI survey	Baseline, Mid-term and completion	PPMO, M&E service provider	
	Households (%) - Percentage (%)		50%	75%				
	Households (number) - Households		25 000	81 000				
	Household members - Number of people		85 000	275 400				
	<b>IE.2.1 Individuals demonstrating an improvement in empowerment</b>				COI survey	Baseline, Mid-term and completion	PPMO, M&E service provider	
Total persons - Percentage (%)		25%	54%					
Total persons - Number of people		42 500	166 320					
Females - Percentage (%)		25%	60%					
Females - Females		17 000	92 400					
Males - Percentage (%)		25%	50%					
Males - Males		25 500	77 000					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outcome 1 Improve the access of rural households to opportunities of participation and benefit sharing of rural economic growth with use of climate-smart technologies and practices in sustainable green agriculture	<b>2.2.1 Beneficiaries with new jobs/employment opportunities</b>				COI survey or Project M&E	Baseline, Mid-term and completion	PPMO, M&E service provider	Smallholder farmers are interested to use climate-smart technologies and join the sustainable and green value chain in support of private sector player, cooperatives and village-based entities (A)  Smallholder farmers are excluded to use the processing and storage facilities (R)
	Males - number		300	500				
	Females - number		200	500				
	Indigenous people - number		15	40				
	Young - number		150	300				
	Total number of persons with new jobs/employment opportunities - number		500	1 000				
	<b>2.2.6 Households reporting improved physical access to markets, processing and storage facilities</b>				COI survey	Baseline, Mid-term and completion	PPMO, M&E service provider	
Households reporting improved physical access to storage facilities (number)		300	1 200					
Households reporting improved physical access to storage facilities (%)		30%	60%					
Size of Households (number of people)		1 020	4 080					
Output 1.1 - Inclusive support to smallholder farmers	<b>Supported rural producers establish linkage with agri-entities (contract farming, land transfer, employment, dividends)</b>				Project M&E	Annually	PMOs, M&E service provider	Smallholder farmers are interested to join the sustainable and green value chain in support of private sector player, cooperatives and village-based entities (A)
	Number of household		10 000	25 000				
	Number of women-headed hh		500	1 750				
	<b>CI 2.1.2: Persons trained in income-generating activities or business management</b>				Project M&E	Annually	PMOs, M&E service provide	
	Persons trained-total		1 000	5 000				
	Male-number		500	2 500				
	Female-number		500	2 500				
Youth-number		300	1 500					
Indigenous people-number		40	200					
Output 1.2 - Eco-friendly Agricultural transformation	<b>Technologies and techniques demonstrated and adopted for climate adaptation/mitigation</b>				Project M&E	Annually	PMOs, M&E service provider	Local government and rural business entities committed to demonstrate and promote technologies for climate adaptation/mitigation (A)  Eco-friendly technology might be costly and not be welcomed overwhelmingly. (R)
	Number of Technologies		5	13				
	<b>Rural producers trained in eco-friendly agricultural technologies</b>				Project M&E	Annually	PMOs, M&E service provider	
	Females-number		2 000	4 500				
	Males-number		2 000	4 500				
	Youth-number		1 200	2 700				
	Indigenous people -number		160	360				
Total-number		4 000	9 000					
Output 1.3 - Public productive infrastructures	<b>3.1.4 Land brought under climate-resilient management</b>				Project M&E	Annually	PMOs, M&E service provider	Local government are committed to climate resilient production infrastructure and able to identify prioritized geographic areas (A)
	Hectares of Land		2 000	4 500				
	<b>2.1.5 Roads constructed, rehabilitated or upgraded</b>				Project M&E	Annually	PMOs, M&E service provider	
	Length of roads (km)		40	80				
	<b>Increased storage capacity for agro-products in project area</b>				Project M&E	Annually	PMOs, M&E service provider	
	Increased storage capacity (tons)		5 000	15 000				
Outcome 2 Build adaptive capacities in community-governed rural development	<b>Households reporting improved community infrastructure and services</b>				COI survey	Baseline, Mid-term and completion	PPMO, M&E service provider	Community infrastructures and services are responsive to villager needs and with good O&M plan. (A)  Community infrastructures are just one-time input without good maintenance
	Households - Percentage (%)		30%	70%				
	Households - Number		15 000	35 000				
	Households members- Number		51 000	119 000				
Output 2.1- Participatory planning and good governance.	<b>Village officials and rural practitioners trained in good governance of Rural Revitalization</b>				Project M&E	Annually	PPMO, M&E service provider	Trained village officials contributed to the innovative community governance models, which are responsive to villager needs and sustainable in operation (A)
	Number of village officials and rural practitioners		500	1 200				
Output 2.2 - Climate-resilient community infrastructures and service facilities	<b>Households provided with improved waste management, increased water availability or clean energy</b>				Project M&E	Annually	PPMO, M&E service provider	Community infrastructures and services are responsive to villager needs and with good O&M plan. (A)
	Households with improved waste management - Number		500	1 000				
	Households members- Number		1 700	3 400				
	Households with increased water availability - Number		25 000	50 000				
	Households members increased water availability- Number		85 000	170 000				
	Households with clean energy - Number		2 000	4 200				
	Households members with clean energy-Number		6 800	14 280				

## Integrated project risk matrix

### Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
<b>Country Context</b>	<b>Moderate</b>	<b>Moderate</b>
Fragility and Security	Moderate	Moderate
Macroeconomic		No risk envisaged - not applicable
Governance		No risk envisaged - not applicable
Political Commitment		No risk envisaged - not applicable
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
Policy Development and Implementation	Moderate	Low
Policy alignment		No risk envisaged - not applicable
<b>Environment and Climate Context</b>	<b>Moderate</b>	<b>Moderate</b>
Project vulnerability to climate change impacts	Moderate	Moderate
Project vulnerability to environmental conditions	Moderate	Low
<b>Project Scope</b>	<b>Moderate</b>	<b>Moderate</b>
Technical Soundness	Moderate	Moderate
Project Relevance	Moderate	Low
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Moderate</b>
Monitoring and Evaluation Arrangements	Moderate	Moderate
Implementation Arrangements	Moderate	Moderate
<b>Project Financial Management</b>	<b>Moderate</b>	<b>Moderate</b>
Project External Audit	Moderate	Moderate
Project Accounting and Financial Reporting	Moderate	Moderate
Project Internal Controls	Moderate	Moderate
Project Funds Flow/Disbursement Arrangements	Moderate	Moderate
Project Budgeting	Moderate	Moderate
Project Organization and Staffing	Substantial	Substantial
<b>Project Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
A.1 Legal, Regulatory and Policy Framework	Moderate	Moderate
A.2 Institutional Framework and Management Capacity	Moderate	Moderate
A.3 Accountability, Integrity and Transparency of the Public Procurement System	Low	Low
A.4 Public Procurement Operations and Market Practices.	Low	Low
B.1 Assessment of Project Complexity	Moderate	Moderate
B.2 Assessment of Implementing Agency Capacity	Moderate	Moderate
Project Procurement Overall	Moderate	Moderate
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Moderate
Greenhouse Gas Emissions	Moderate	Moderate
Physical and Economic Resettlement	Low	Low
Community health, safety and security	Moderate	Low

Risk Category / Subcategory	Inherent risk	Residual risk
Labour and Working Conditions	Moderate	Low
Indigenous People	Moderate	Low
Cultural Heritage	Low	Low
Resource Efficiency and Pollution Prevention	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
<b>Stakeholders</b>	<b>Moderate</b>	<b>Moderate</b>
Stakeholder Grievances	Moderate	Low
Stakeholder Engagement/Coordination	Moderate	Moderate
<b>Overall</b>	<b>Moderate</b>	<b>Moderate</b>

Country Context	Moderate	Moderate
Fragility and Security	Moderate	Moderate
<b>Risk:</b> The main risks pertain to: i) Swine fever that has been prevailing and poses some impact to pig production in many places of the country; ii) risk of COVID-19 comeback but unlikely with restrictive control as before. Uncertainty however remains with regard to human and animal epidemics, as globally.	Moderate	Moderate
<b>Mitigations:</b> (i) Government is promoting preventive measures for pig farms, meanwhile trying to limit household and small-scale pig raising business in consideration of environmental impact and economic viability; (ii) The project has limited if not no exposure to pig production at this design stage.		
Macroeconomic		No risk envisaged - not applicable
The macroeconomic situation and prospect of the country has been favorable and optimistic. Despite slowed pace of GDP growth during the last years and some trade frictions, Annual GDP growth has been forecast for more than 5% by several international financial agencies. The quality of development has been increasing as result of economic restructuring and boosting of domestic markets and consumption. Rural development continues to be given increased attention and support through various favorable policies and additional resource allocations. The macro economy shall maintain a stable and steady progress and is generally resilient to external shocks. The economy bounced back from slow-down in COVID-19 pandemic of 2019-2022 and recorded steady improvement. Consumption and market demand will remain steady growth and continue to anticipate increasing demand on quantity and quality agro-products from rural areas, as result of Government's strategy in boosting both domestic and export markets. Transportation and logistics condition continue to improve providing conducive marketing environment for rural products. As Chinese economy is integrated into global markets and with strong links with countries of One-Belt-One-Road; no major risks are foreseen so far in terms of macroeconomic dimension.		
Governance		No risk envisaged - not applicable

Overall governance at the relevant levels (primary province and county) is strong. There are relevant and adequate rules and procedures guiding the planning and budgeting, management of finance, procurement, staff and institutional performance and accountability, fraud and corruption prevention and conviction. Particularly for rural revitalization and agricultural development related projects, government attaches higher emphasis in accountability and performances. The ongoing rural revitalization strategy envisages continued improvement of rural governance. For this project, the institutional set up and vertical/lateral coordination has been conducive for project management as the PMO was designed to be embedded in the structure of Rural Revitalization Bureau and Agriculture and Rural Affairs. No major risks are foreseen so far in terms of governance.		
Political Commitment		No risk envisaged - not applicable
The political commitment of both central and local governments to the project goals/objectives have been and will remain persistently strong during the project life. The Rural Revitalization is a state strategic policy and development programme that the project supports. Necessary policies, various resources, and institutional performances are geared at the provincial and county levels towards aligning with these strategic goals and directions. No. 1 document of 2023 continues to give spotlight to rural development and rural revitalization support for disadvantaged areas and households will continue for the next 5 years. Meanwhile, there is strong stability and continuity of political party and government leadership and strategies. No major risks are foreseen in terms of political commitment by governments.		
Sector Strategies and Policies	Moderate	Low
Policy Development and Implementation	Moderate	Low
<b>Risk:</b> Government's strategies and policies, especially those relating to modernization and rural revitalization, are highly responsive to the needs of the rural people and visionary in making rural areas more attractive places for people to live. Nevertheless, there is some risk in the responsive and thorough implementation of central policies to their full effect, e.g. the Farmer Cooperative Law. China's agricultural development has traditionally focused on production/productivity enhancement, with emphasis on infrastructure, with limited attention to post-production/marketing. This resulted in cases of local overproduction, which led to possibly reduced value add and farmers' income when the market efficiency is less. Supply-side reform was called for to the agricultural sector but there is still strong tendency at project area of focusing on production. Despite favourable and upper level government policies, at the local level there can be unwanted impediments in serving and facilitating the agribusiness entities and agribusiness sector.	Moderate	Low
<b>Mitigations:</b> The project places great emphasis to inclusive enhanced production and post-production and to developing agricultural value chains that promote equitable organizational arrangements, different channels/opportunities to farmers to link with market opportunities, and increased incomes for the target households. The project also invests in diversified income generating for the target groups, and call for extended application of agri-insurance in the project area. The project is well in line with government development policies and contributing to generating benefits for the vulnerable target group		
Policy alignment		No risk envisaged - not applicable

The project is well aligned with the government strategy and policies relating to rural development and modern agricultural modernization. The core focus of the project “Sustainable and inclusive green agriculture and building community resilient capacity” is a top priority of government’s most recent rural revitalization strategy. Governments expect IFAD project to add value by demonstrating innovative ideas and practices that can contribute to the consolidation of no poverty and no hunger, and food security as part of the ongoing rural transformation in the country. The focuses of the project on sustainable benefit generation for and sharing with vulnerable groups of the population, role of women and youth as well as thriving private sector and farmer organizations etc.. are also at the core of the government policies for rural transformation. No major risks are identified in terms of policy alignment of the project.		
Environment and Climate Context	Moderate	Moderate
Project vulnerability to climate change impacts	Moderate	Moderate
<b>Risk:</b> Gansu Province has been experiencing climate change impacts including irregular ups and downs of temperature and declining precipitation. Extreme weather events such as drought, floods, heavy precipitation, snow, sudden frost and hail have become more frequent and intense . However, the natural hazard data has shown no relation to the total annual precipitation since serious droughts have also been reported for years with normal or above normal rainfall amount. Nevertheless, Climate change risks and predicted impacts directly relevant to the project areas are relatively low and do not pose significant threats in the short and medium terms. The most significant seasonal trends occurred during spring (March–May) and winter (December–February) for both mean temperature and for precipitation. Major climate risks are exposure to natural disasters, particularly flooding and landslide. Extreme temperature occasionally impact agricultural production for short periods.	Moderate	Moderate
<b>Mitigations:</b> <ul style="list-style-type: none"> <li>• Climate smart infrastructure development is a priority of local government for agricultural production, as well an important intervention of the project especially relating to climate-smart irrigation, quality road building to improve productive conditions and mitigate climate related risks;</li> <li>• Project will introduce climate related services as part of the interventions, which includes training and advocacy activities as well as extension of climate adaption technologies;</li> <li>• Project supported climate-smart infrastructures and other productive assets for both the communities, agri-businesses and individual households;</li> <li>• Stress-tolerant seed development, courtyard economy, rural eco-tourism will help increase the overall resilience of agricultural production and rural life to the climate change.</li> <li>• Digital agriculture will also feature the climate-resilience of the industrialized agri-production</li> </ul>		
Project vulnerability to environmental conditions	Moderate	Low
<b>Risk:</b> In the project areas, water loss and soil degradation are regarded as the primary environmental concerns. A high percentage of the farmland in the project area is slope land, the risk of loss of organic substance and other nutrients can be high if environment friendly and conservative measures are not applied, causing the increasing infertile of soil in the farmland and its ability to preserve water and nutrients drops.	Moderate	Low
<b>Mitigations:</b> (i) The project will introduce sustainable water management techniques and combined management of irrigation and fertilizer will be one of the techniques for example. (ii) Organic fertilizer and low-carbon farming methods will be promoted, with renewable energy used where possible. (iii) Diversification of farmer income from other agricultural and economic activities that are not so demanding from the land is also supported by the project, such as herbal medicine, mushroom and fungus, tea, etc., and (iv) Facility agriculture will minimize the negative impacts on natural resources		
Project Scope	Moderate	Moderate
Technical Soundness	Moderate	Moderate

<b>Risk:</b> At the PCN stage no detailed technical design has been made. The final design will analyze the situation in this regard. The moderate level is given on the basis of possible technical complexity	Moderate	Moderate
<b>Mitigations:</b> N/A		
Project Relevance	Moderate	Low
<b>Risk:</b> The mains risks pertain to the fact that the benefit generated by the project may not adequately support those economically less active households for their increased income, also their overall benefit sharing is to some extent ensured by the country's rural development policy and programmes, because: (i) income from agricultural production constitute a relative declining proportion of the rural people, the project's contribution to their household income increase could be limited; (ii) many remaining vulnerable with low income either have their land transferred or are lack of labour; (iii) inadequacy of project in fully capturing and adapting to post-poverty reduction strategy evolvments	Moderate	Low
<b>Mitigations:</b> (i) Encouraging contract farming, labor employment, land rent and dividend generated from project invest assets in order to benefit different kind of vulnerable households. (ii) Encourage development business models of cooperative linking to disadvantaged people, company-cooperative/REE-households target the active vulnerable and provide preferential access with project incentive; (iii) allow reallocation of resource to better performing counties and diversify business models to suit evolving context under the key criteria of inclusiveness and market access; (iv) promotion of women and youth entrepreneurship and capacity building tailored to the disadvantaged target segments.  The project will also bridge between the current and future COSOPs, ensure the continuity of support in the Country Programme. If necessary, the project will make due adjustments in order to be fully compliant with the new COSOP expected in 2024-2025		
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Monitoring and Evaluation Arrangements	Moderate	Moderate
<b>Risk:</b> Risk of delayed implementation of MIS and M&E system is present	Moderate	Moderate
<b>Mitigations:</b> The Project should set up the MIS and M&E system at the first months of implementation before operations roll out. PMOs should take full ownership and accountability of the M&E work to ascertain quality and more importantly make use of the M&E information. Periodical reports, internal workshops and knowledge products will need to make full use and build on the M&E information.		
Implementation Arrangements	Moderate	Moderate
<b>Risk:</b> While overall institutional setting with the RRB structure will be in line with the ongoing Rural Revitalization, the transition from poverty alleviation to sustainable rural development and modern agricultural transformation could experience some learning curve. Coordination and networking capacity is required to management such development project with high expectation on innovation. Some counties may have technical capacities and staffing of various levels; Knowledge and experience of managing IFAD project can be lagging; Technical knowledge and experience in working with and supporting agribusinesses can also be a weakness for several counties; risk of unpredictable staff rotation is also present in some counties.	Moderate	Moderate
<b>Mitigations:</b> Continued capacity building is essential for the project to be well implemented. Recruitment of technical expertise to support the technical parts of the project interventions, review and implementation should help minimize changes of business failure.		
Project Financial Management	Moderate	Moderate
Project External Audit	Moderate	Moderate



<p><b>Risk:</b> The Provincial Audit Office will be delegated to be responsible for auditing the project. PAO has rich experiences with WB and ADB project auditing. The annual audit report of project financial statements will be due to IFAD within 6 months after the end of each calendar year.</p> <p>The provincial SAI capacity cannot be of an acceptable level and quality of audit reports cannot be acceptable, reports are provided in local language and not in the FA official language, the reports provided with delay.</p>	Moderate	Moderate
<p><b>Mitigations:</b> The Gansu provincial NAO will be responsible for external audit and IFAD will communicate IFAD requirements on financial reporting and auditing to the auditors.</p>		
Project Accounting and Financial Reporting	Moderate	Moderate
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Financial reporting is not produced properly and timely due to manual accounting.</li> <li>Cost categories cannot be properly reflected in the financial reporting.</li> <li>Risk that accounting systems – including polices and standards – are not integrated and reliable, leading to inaccuracies in financial records and that reasonable records are not prepared, issued and stored, leading to lack of informed decision-making.</li> </ul> <p>The administration, accounting and reporting of the project will be set up in accordance with Circular No. CAIJI (2011)-10: “Provisional Measures for Financial Management of Projects Financed by Loans and Grants from International Financial Organizations” issued in 2011 by Ministry of Finance.</p>	Moderate	Moderate
<p><b>Mitigations:</b> The administration, accounting and reporting of the project will be set up in accordance with Circular No. CAIJI (2011)-10: “Provisional Measures for Financial Management of Projects Financed by Loans and Grants from International Financial Organizations” issued in 2011 by Ministry of Finance. It is planned to adopt the "Information Management System" developed by project accounting and project funds for each level of the project and its implementing agencies. An integrated accounting/information (MIS) system is used for other two projects financed by IFAD The MIS is able to record all expenditures transactions by categories, components, project activities and sources at all level of this project the county makes advance payments to start the construction; the detailed construction information then is recorded in the MIS immediately; when applying for disbursement, after the expenses have been verified and approved, the application will be submitted to the provincial level after approving.</p>		
Project Internal Controls	Moderate	Moderate
<p><b>Risk:</b> The Treasury Department in DOF, is responsible for checking and approving the funds /disbursement from designated accounts; DOF is responsible for reconciliations such as bank statement, accounting statements. Monthly bank reconciliation will be performed at each level by DOF and Project PMU.</p> <ul style="list-style-type: none"> <li>Limited suppliers for goods and services and less capacity may lead to overpayment for services.</li> <li>Staff capacity and awareness of anti-corruption policy.</li> </ul>	Moderate	Moderate
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>Detailed PIM with detailed FM and Procurement procedures along with extensive training on PIM will be provided to the project staff.</li> <li>Segregation of duties in the project will be set up.</li> <li>External audit of the project to be conducted annually.</li> <li>IFAD anti-corruption policy will be included in PIM and training delivered to staff and stakeholders.</li> <li>Effective computerized software shall be used to ensure the reconciliation of account and chasing of payment.</li> </ul>		
Project Funds Flow/Disbursement Arrangements	Moderate	Moderate
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Delay during the start-up of project activities.</li> <li>Delay in submission of IFRs and WAs to IFAD.</li> <li>DA and project account arrangements cannot be clear to the project staff.</li> </ul>	Moderate	Moderate

<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• Retroactive financing will be suggested to ensure the timely launching of the project.</li> <li>• Ensure good accounting system that capable to provide IFR and WA in required formats.</li> <li>• Capacity building workshops on preparation of IFRs.</li> <li>• IFR timing will be set 30 days rather than 45 in FMFCL.</li> <li>• FM manual will provide detailed guidance on DA and PA arrangements.</li> </ul>		
Project Budgeting	Moderate	Moderate
<p><b>Risk:</b></p> <p>The specific budget of the project shall be prepared by the project personnel (CPMOs) at the county level according to the local needs which shall be submitted to the provincial finance department for examination and approval by (PMO) after summarization by the provincial project office. The annual budget is issued by DOF and MOF by the annual plan. The counterpart funds shall be included in the budget of each level according to the total annual project financing.</p> <p>Preparation of AWPB might be delayed due to staff capacity and approval procedures.</p> <p>AWPB might not be realistic or not achievable.</p> <p>The budget preparation and revision process have rigorous procedures within the entity and may cause strict control but some delays in loan disbursement.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The PPMO shall apply standard form for AWPB shared by IFAD based on good practices of other projects in China. Budget allocation for each activity will be specified for subsequent monitoring.</p> <p>Training to PPMO and CPMO staff on preparation of AWPB.</p> <p>A mechanism in place to timely capture the progress of expenditure Vs. budget.</p>		
Project Organization and Staffing	Substantial	Substantial
<p><b>Risk:</b></p> <p>A provincial PMO (PPMO) shall be set up within the Rural Revitalization Bureau (RRB) under DARA/BARA. 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. There is a risk that the implementing entity does not have the necessary number of adequately qualified and experienced financial management staff in the national and county levels.</p>	Substantial	Substantial
<p><b>Mitigations:</b></p> <p>PMOs are staffed with officers who need to have experience in project management, financial management, procurement, and monitoring and evaluation. PPMOs and 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.</p>		
Project Procurement	Moderate	Moderate
A.1 Legal, Regulatory and Policy Framework	Moderate	Moderate
<p><b>Risk:</b> Legal, regulatory and policy framework are clear and mainstreamed with international procurement practices. Few sub indicators exhibit gaps that have limited impact on procurement performance. The national procurement framework has limited provisions on SPP and obligations deriving from international agreement.</p>	Moderate	Moderate
<p><b>Mitigations:</b> When needed, make reference to the IFAD procurement framework.</p>		
A.2 Institutional Framework and Management Capacity	Moderate	Moderate

<b>Risk:</b> Institutional Framework and Management Capacity exhibit some gaps and weaknesses. In particular, the capacity of developing and improving the public procurement system are relatively weak.	Moderate	Moderate
<b>Mitigations:</b> N/A		
A.3 Accountability, Integrity and Transparency of the Public Procurement System	Low	Low
<b>Risk:</b> Overall, public procurement operations and market practices is effective and efficient.	Low	Low
<b>Mitigations:</b>		
A.4 Public Procurement Operations and Market Practices.	Low	Low
<b>Risk:</b> Overall, the public procurement system operates with integrity, that has appropriate controls, and that has appropriate anti-corruption measures in place. There are some constraints on engagement of civil society and stakeholder support to strengthen integrity for procurement policy development, provisions on fraud, corruption and other prohibited practices in consistence with IFAD policies.	Low	Low
<b>Mitigations:</b>		
B.1 Assessment of Project Complexity	Moderate	Moderate
<b>Risk:</b> The project complexity is low and is similar to previous projects in China. Project area is geographically spread in different locations. The governance structures of project exists a certain fragile risk.	Moderate	Moderate
<b>Mitigations:</b> The PMU needs to continually put the necessary personnel, resources, and qualified consulting agency into project to mitigate the relevant risks.		
B.2 Assesment of Implementing Agency Capacity	Moderate	Moderate
<b>Risk:</b> Main risks of IA's Procurement Legal & Regulatory Frameworks involve the aspect of SECAP, Bid Evaluation and advertised time of bid. These risks will lead limited impact on project.	Moderate	Moderate
<b>Mitigations:</b> The project will adopt effective management measures, reasonable procedural arrangements and appropriate rule adaptation to mitigate the corresponding risks.		
Project Procurement Overall	Moderate	Moderate
<b>Risk:</b> Overall country framework and project level framework identifies moderate risk which have been adequately mitigated. Basically, IA's organization structure and management system are relatively complete. However, there are some limited impacts on the project in terms of personnel, experience, partial management approaches and customary implementation procedures.	Moderate	Moderate
<b>Mitigations:</b> The Project will improve procurement staffing, secure resource inputs, strengthen institutional capacity building and recruit the necessary consulting agencies to mitigate these adverse impacts and risks.		
Environment, Social and Climate Impact	Moderate	Low
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Moderate
<b>Risk:</b> The project area belongs to the arid and semi-arid zone, which is a climate change sensitive and ecologically fragile zone with complex climate hazards, mainly drought, torrential rainfall and flooding, wind and hail (wind, dust and hail) and low temperature, etc. Climate hazards account for 88.5% of natural disasters, which is higher than the national average of 18.5%. Climate disaster losses accounted for 3.5% of GDP in Gansu Province, and the average of 3% in the 21st century, which is about three times of the national level.	Moderate	Moderate
<b>Mitigations:</b> The project will take advantage of proven interventions and experiences in mitigating the vulnerability of the target groups to ecosystem and climate impacts in the country programme and incorporate the good practices in the final design		

Greenhouse Gas Emissions	Moderate	Moderate
<b>Risk:</b> The risk that the project may significantly increase greenhouse gas emissions and thereby contribute to anthropogenic climate change.	Moderate	Moderate
<b>Mitigations:</b> The project will contribute to the reduction of Greenhouse Gas as result of promoting low-carbon agriculture. The project activities will not involve excessive CO2 emissions.		
Physical and Economic Resettlement	Low	Low
<b>Risk:</b> No project activities are anticipated to result in the physical or economic displacement of the local population. Minor Temporary restrictions may apply in the context of some activities (re-route of traffic due to road or canal rehabilitation) . No changes will be caused by the project to land tenure, or adverse impacts to property rights. The project may contribute to increase of farmers' property rights with project invested assets assigned to them through quasi share-holding arrangements or relevant benefiting mechanism. The land rights of households and community including ethnic minorities are strictly protected by Land Administration Law of the People's Republic of China. The project will not lead to temporary or permanent and full or partial physical displacement.	Low	Low
<b>Mitigations:</b> In the rare and isolated case that land acquisition may be required in relation to the project, there will be a compensation and consultation process in line with the Law of the People's Republic of China on Land Administration and materially consistent with the requirements of Standard 7. The compensation standards for land expropriation include compensation for the loss of production and business caused by the expropriation of houses. Under the principle of the national unified guarantee of the basic living standards and property rights and interests of the expropriated farmers, each province and city formulated specific compensation standards for road construction according to the different levels of local economic development.		
Community health, safety and security	Moderate	Low
<b>Risk:</b> Community health and safety has been considered. Measures have been taken to reduce the exposure of workers and community members to hazardous materials in the environment during the implantation of the project, to safeguard human health and community safety. In the construction of public infrastructure, the design, construction, and operation of structural elements comply with national legal requirements and the IFAD's "Environmental, Health and Safety Guidelines", while also considering the safety risks to third parties and affected communities. Construction insurances are purchased as required. The residents in the project area provided material support in accordance with the local government's emergency plan, which included funding and material assistance for various activities.	Moderate	Low
<b>Mitigations:</b> The project also intends to invest in building the community adaptive resilience and differentiated services for elderly, women and youth are foreseen.		
Labour and Working Conditions	Moderate	Low
<b>Risk:</b> Labour and Working Conditions are highly regulated and there is no evidence of violation or deviation reported in relationship with the project design. The project implementation manual would have standard contract templates for labor and require strict implementation during project implementation. The project's beneficiary feedback and grievance redress system are in place in complementarity with the government's vertical complaint system. The personal safety protection would be strictly implemented to ensure the safety of labor. The workers involved in the project will sign contracts. Wages and salaries are negotiated by both parties and implemented according to industry standards. There are early warning and defensive measures for emergencies. If necessary, arbitration and appeal can be conducted.	Moderate	Low
<b>Mitigations:</b> Default mitigation text		
Indigenous People	Moderate	Low

<p><b>Risk:</b> The project area has limited number of ethnic minority people (4.17%), furthermore they are integrated in the mainstream of the society and almost no differentiation is made to the ethnic people. The government applies preferential policies and support to ethnic minorities in social, cultural and economic development as compared to the majority of Han. There is no risk anticipated of the project to the ethnic people in the project areas</p>	<p>Moderate</p>	<p>Low</p>
<p><b>Mitigations:</b> The project will likely contribute to the safeguard of livelihoods of the ethnic minorities, in including their voices and interests in the village committee or councils. The project includes an IPPF and FPIC.</p>		
<p>Cultural Heritage</p>	<p>Low</p>	<p>Low</p>
<p><b>Risk:</b> The project activities do not foresee impact to degradation or loss of resources of historical, religious or cultural significance. During design, the team has confirmed that the project will not involve alterations to landscape and natural features with cultural significance, nor there is significant excavations, demolitions, movement of earth or alterations that could incur in adverse impacts to features of cultural significance.</p>	<p>Low</p>	<p>Low</p>
<p><b>Mitigations:</b> The project has confirmed that no impacts on cultural, artistic, traditional or religious values or intangible forms of culture will be affected by project activities.</p>		
<p>Resource Efficiency and Pollution Prevention</p>	<p>Moderate</p>	<p>Moderate</p>
<p><b>Risk:</b> Resource efficiency and pollution prevention have been taken into consideration in the project design. As additional information on exact interventions and activities has been made available during design, the project team has been able to ensure that all risks in relation to resource efficiency and pollution are predictable in nature, site-specific and with low probability of serious adverse effects to human health or the environment, therefore able to confirm residual risk as moderate. All risks in relation to this aspect have identified mitigation measures that are known to the local population. For example, in terms of the impact during the construction period, it is anticipated that the project may generate noise, dust, wastewater, exhaust gas, solid waste, etc., which will have moderately adverse effects. All the project activities and its impacts will be implemented in compliance with the Environmental Protection Law, ensuring mitigation measures are materially consistent with the objectives of Standard 2 on Pollution prevention.</p>	<p>Moderate</p>	<p>Moderate</p>
<p><b>Mitigations:</b> Overall, the project will ensure to consistently integrate all necessary mitigation measures to ensure all risks in relation to pollution prevention and resource efficiency are implemented. Modern integrated water and fertilizer irrigation systems would be taken to expand irrigation coverage, improve irrigation reliability and the efficiency of irrigation water use, thereby improving agricultural productivity, climate resilience and income generation for farmers, while reducing greenhouse gas emissions. For farming of yak, sheep, and cattle, the pollution mainly lies in the pollution of manure on farmland and groundwater. The faecal treatment technologies would be adopted to avoid the environmental pollution of livestock manure. For example, the project would support the smallholders in Huating county to carry out harmless treatment on beef cattle manure with compost fermentation technologies, which would be utilized as fertilizer for maize planting. The manure treatment facilities would meet environmental requirements. The pipeline network of sewage treatment would be improved to avoid the environmental pollution of agricultural products processing and rural sewage in project areas; the toilets would be constructed and transformed to improve the rural environment. In this context, the residual risk can be considered moderate. The project involves crop production which naturally requires inputs of fertilizers. But impact can be appropriately managed as the project will be introducing efficient measures such as integrated irrigation-fertilization, responding to its objective of facilitating the adoption of green and resilience concepts in rural revitalization</p>		
<p>Biodiversity Conservation</p>	<p>Moderate</p>	<p>Moderate</p>

<b>Risk:</b> No evidence on biodiversity threatened in the project design. The biodiversity and habitat protection status in the Gansu project area is good, and the project would consider ecological vulnerability assessment. There are no ecological problems such as biodiversity reduction, land fragmentation, overexploitation, biological invasion, etc. in the project area.	Moderate	Moderate
<b>Mitigations:</b> The project will not undertake activities that may cause significant threats to or the loss of biodiversity and ecosystem and its services. In fact the project activities will help to conserve soil and water resources, promote the production of quality and diversified locally specialize products/food. By adopting good agricultural practices, the project will also be conducive to the sustainable use of natural resources.		
Stakeholders	Moderate	Moderate
Stakeholder Grievances	Moderate	Low
<b>Risk:</b> Systems and opportunities are in place for stakeholders to express their opinions and complaints emerged during their interaction and participation of the project. Major project procurements are disclosed for publicity before deals are confirmed. Project Apps accepts feedback from users. Government agencies have open channels to receive complaints and reports of misconduct during project implementation. Regular project workshop involves relevant stakeholders. The risk of suppressed or unattended stakeholder complaints is moderate.	Moderate	Low
<b>Mitigations:</b> VIGs will conduct regular notifications to the villagers on the planned activities and means/criteria of participation		
Stakeholder Engagement/Coordination	Moderate	Moderate
<b>Risk:</b> There is risk that some stakeholders are not adequately engaged due to the limitation in their business coverage, such as rural finance and insurance providers, technical extension providers, participating line agencies and other entities along the value chains that the project promoting.	Moderate	Moderate
<b>Mitigations:</b> (i) IFAD supervision mission will continuously encourage counties to expand their diversity of PPP to avoid narrowly focusing on a few products; (ii) Project workshop will be organized back to back with SIS missions to enhance clarity of project implementation requirements and allow participation and coordination with relevant stakeholders; (iii) Project management offices are encouraged to reach out to relevant partners to support the implementation of business plans; (iv) Apps developed to allow better dissemination of project related information and feedback/response from stakeholders.		

### Schematic presentation of the theory of change

