



Invertir en la población rural

Junta Ejecutiva

142.º período de sesiones

Roma, 18 y 19 de septiembre de 2024

Informe del Presidente

Propuesta de préstamo

República Popular China

Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan

N.º de identificación del proyecto: 2000003847

Signatura: EB 2024/142/R.3/Rev.2

Tema: 3 a) i) a) ii)

Fecha: 18 de septiembre de 2024

Distribución: Pública

Original: Inglés

Para aprobación

Medida: Se invita a la Junta Ejecutiva a que apruebe la recomendación que figura en el párrafo 69.

Preguntas técnicas:

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Índice

Resumen de la financiación	ii
I. Contexto	1
A. Contexto nacional y justificación de la actuación del FIDA	1
B. Enseñanzas extraídas	2
II. Descripción del proyecto	3
A. Objetivos, zona geográfica de intervención y grupos objetivo	3
B. Componentes, efectos directos y actividades	3
C. Teoría del cambio	4
D. Armonización, sentido de apropiación y asociaciones	4
E. Costos, beneficios y financiación	5
III. Gestión de riesgos	9
A. Riesgos y medidas de mitigación	9
B. Categoría ambiental y social	10
C. Clasificación del riesgo climático	10
D. Sostenibilidad de la deuda	10
IV. Ejecución	10
A. Marco organizativo	10
B. Planificación, seguimiento y evaluación, aprendizaje, gestión de los conocimientos y comunicación	12
C. Planes para la ejecución	13
V. Instrumentos y facultades jurídicos	13
VI. Recomendación	14

Apéndices

- I. Negotiated financing agreement
- II. Logical framework
- III. Integrated project risk matrix

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Resumen de la financiación

Institución iniciadora:	FIDA
Prestatario/receptor:	República Popular China
Organismo de ejecución:	Departamento Forestal de la provincia de Hunan
Costo total del proyecto:	EUR 213,5 millones
Monto del préstamo del FIDA:	EUR 72,6 millones (Mecanismo de Acceso a Recursos Ajenos (BRAM))
Condiciones del préstamo del FIDA:	Ordinarias: 18 años, incluido un período de gracia de 3 años, sujeto a un interés equivalente a la tasa de interés de referencia del FIDA, incluido un diferencial variable
Contribución del prestatario/receptor:	EUR 23,6 millones (en especie y en concepto de incentivos y apoyo a los insumos)
Contribución de los beneficiarios:	EUR 14,9 millones
Contribución del sector privado:	EUR 102,4 millones
Monto de la financiación del FIDA para el clima:	EUR 55,9 millones

I. Contexto

A. Contexto nacional y justificación de la actuación del FIDA

1. **Crecimiento económico.** La República Popular China es el segundo país más poblado del mundo, con un total de 1 412 millones de habitantes. La estabilidad política ha hecho posible una planificación del desarrollo a largo plazo, lo que a su vez ha llevado al desarrollo económico y a la erradicación de la pobreza extrema. China es un país de ingreso mediano alto y la segunda economía del mundo en términos nominales. Sin embargo, dicha economía afronta desafíos importantes en su recuperación de los efectos de la pandemia de COVID-19.
2. **Contexto rural.** Casi 600 millones de chinos viven en comunidades rurales y constituyen el 60 % de la fuerza de trabajo. La migración masiva de la población activa a las zonas urbanas se debe a los bajos salarios y a las limitadas oportunidades de generación de ingresos en las zonas rurales.
3. **Contexto provincial.** Hunan se encuentra en la mitad sur de China y ocupa aproximadamente el 2,21 % del territorio nacional y el 3 % de la superficie cultivada. En 2022, la agricultura representó el 16,8 % del PIB de la provincia y los ingresos netos per cápita de los agricultores fueron de aproximadamente CNY 19 546¹. De la población total de 66 millones (2022) de la provincia, 6,69 millones pertenecían a las 55 minorías étnicas reconocidas en 2020² y se concentraban en las zonas occidental y meridional.
4. **Erradicación de la pobreza extrema.** El crecimiento económico condujo a una importante reducción de la pobreza, del 88 % en 1981 al 3,8 % en 2017. El Gobierno anunció la erradicación de la pobreza extrema en 2021, convirtiéndose así en el primer país en desarrollo en cumplir el Objetivo de Desarrollo Sostenible (ODS) 1 antes de la culminación del calendario mundial. Aún existen desafíos en lo que respecta a evitar que los habitantes del medio rural recaigan en la pobreza y a reducir las desigualdades existentes y las disparidades regionales.
5. **Estrategia de revitalización rural.** La estrategia de revitalización rural (2017) es una estrategia a largo plazo establecida en respuesta a la tendencia migratoria hacia zonas urbanas. Su objetivo es reequilibrar la brecha existente entre el medio urbano y el rural acelerando el desarrollo de las zonas rurales y convirtiéndolas en lugares atractivos para vivir. Entre las principales herramientas para alcanzar dicho objetivo figuran la industrialización agrícola (recurriendo a las principales industrias rurales, al sector privado y a los principales agronegocios), la creación de oportunidades de empleo y el desarrollo integral de la infraestructura.
6. **Compromiso en materia de emisiones de carbono.** La actividad agrícola y las actividades de elaboración hacen de China un importante emisor que, en consecuencia, tiene un papel crucial que desempeñar en la reducción de las emisiones de carbono, a través de su propio compromiso y de su participación colectiva en el plano internacional. En septiembre de 2020, el Presidente Xi Jinping anunció el objetivo dual de China de alcanzar su máximo de emisiones de carbono en 2030 y alcanzar la neutralidad en carbono para 2060.
7. La participación del **sector privado** en la industria agrícola y alimentaria de China ha experimentado un repunte con el tiempo, así como la colaboración del FIDA con el sector privado con miras al cumplimiento de la Agenda 2030 para el Desarrollo Sostenible. Ello ofrece oportunidades al FIDA para asociarse con el sector privado a fin de impulsar el desarrollo rural y socioeconómico.

¹ Comunicado Estadístico sobre Desarrollo Económico y Social Nacional de la Provincia de Hunan correspondiente a 2022.

² Séptimo censo nacional de población de China (2020).

Aspectos especiales relativos a las esferas transversales prioritarias del FIDA

8. En consonancia con los compromisos transversales asumidos por el FIDA, el proyecto ha recibido las clasificaciones que se detallan a continuación:
- Abarca la financiación para el clima
 - Incluye una perspectiva transformadora de género
 - Tiene en cuenta a la gente joven
9. **Género e inclusión social.** La urbanización ha cambiado la estructura de la fuerza de trabajo agrícola en las provincias centrales y occidentales de China. La mejora de las oportunidades y de los salarios para los hombres en las zonas urbanas ha hecho que las mujeres pasen a conformar la mayor parte de la fuerza de trabajo en el sector agrícola rural. En el cuarto estudio sobre la situación social de la mujer china (2020) se concluyó que las mujeres del medio rural han pasado a desempeñar una función más importante en el desarrollo económico y social que la que desempeñaban hace diez años. A pesar de estas tendencias, siguen existiendo prejuicios sexistas por razones culturales e históricas.
10. **Jóvenes del medio rural.** La gente joven de las zonas rurales migra a los centros urbanos en búsqueda de una mejor situación socioeconómica. Los departamentos gubernamentales locales han puesto en marcha políticas e iniciativas para incentivar su regreso a las zonas rurales. Un ejemplo de ellas es el Plan de Desarrollo Juvenil (2016-2025) a mediano y largo plazo del Gobierno, que tiene como objetivo la implicación y el empoderamiento de la gente joven.
11. **Cambio climático.** En Hunan se ha registrado un aumento de las temperaturas y cambios en el régimen de lluvias que afectan a la producción. Como importante productora y elaboradora agrícola, China también es una gran productora de desechos agrícolas y emisora de gases de efecto invernadero derivados de la actividad agrícola. El Gobierno ha puesto en marcha la Estrategia Nacional de Adaptación al Cambio Climático 2035 de acuerdo con su ambicioso compromiso dual en materia de emisiones de carbono.

Razones que justifican la intervención del FIDA

12. La ventaja comparativa del FIDA radica en su experiencia conectando a los pequeños productores con los mercados a través de las cadenas de valor, ayudándoles a adaptarse a los riesgos climáticos y a adoptar prácticas climáticamente inteligentes en materia de agricultura sostenible, empoderando a las mujeres y a la gente joven en las cadenas de valor, y demostrando estrategias innovadoras para la revitalización rural.

B. Enseñanzas extraídas

13. El FIDA tiene cuatro proyectos en curso en China y ha ejecutado tres en la provincia de Hunan, de los cuales sigue en curso el Proyecto de Demostración de Actividades de Revitalización Rural en Hunan. En estos proyectos se ponen de manifiesto enfoques y medidas efectivas para facilitar la integración de los pequeños productores en las cadenas de valor y mejorar la resiliencia ante perturbaciones económicas y climáticas. Sobre la base de la experiencia adquirida en esos proyectos y de los informes de la División de Investigación y Evaluación del Impacto del FIDA, se han incorporado enseñanzas pertinentes en el diseño del Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan.
14. Entre las principales enseñanzas cabe citar la utilidad de la financiación para la planificación de las actividades en las cadenas de valor, la necesidad de brindar apoyo a las cadenas de valor ecológicas, la naturaleza transformadora de la participación de las mujeres y la gente joven, los resultados positivos de la

adecuación a los proyectos de infraestructuras gubernamentales, y el efecto positivo de la designación temprana del personal del proyecto al momento de la ejecución efectiva.

II. Descripción del proyecto

A. Objetivos, zona geográfica de intervención y grupos objetivo

15. **Meta y objetivos del proyecto.** El objetivo del Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan es promover la revitalización rural y permitir que los pequeños productores puedan beneficiarse de la transformación rural mediante un modelo de crecimiento ecológico inclusivo e impulsado por las empresas.
16. El objetivo de desarrollo del proyecto es incrementar la capacidad de 128 000 beneficiarios (pequeños productores) a fin de aumentar la producción y el acceso de estos a los mercados, y, al mismo tiempo, maximizar la sostenibilidad ambiental y la resiliencia ante el clima, así como contribuir a la meta de China en materia de neutralidad en carbono, centrándose en tres cadenas de valor, a saber, las del bambú, el aceite de camelia (*Camellia oleifera*) y hierbas medicinales. El proyecto prevé la rehabilitación o el desarrollo de 199 000 mu (13 266 ha) comprendidos por los tres cultivos. Se prevé que las mujeres constituyan el 60 % de los beneficiarios y la gente joven represente alrededor del 30 %.
17. **Zona del proyecto.** El proyecto abarcará siete condados, a saber, Taojiang, Hengshan, Yanling, Pingjiang, Heshan, Yuanling y Xupu. Fueron seleccionados con arreglo a i) la disposición y el compromiso gubernamental y de los beneficiarios de participar; ii) la capacidad de financiación gubernamental para endeudarse y reembolsar la deuda; iii) el elevado potencial de producción de los pequeños productores, y iv) la disposición de las empresas del sector privado de invertir en las cadenas de valor seleccionadas.
18. **Grupo objetivo.** El proyecto se destinará principalmente a hogares pobres y de ingreso bajo, inscritos previamente, y adoptará una estrategia inclusiva para la implicación de las mujeres, la gente joven y las minorías étnicas.

B. Componentes, efectos directos y actividades

19. El proyecto tendrá los siguientes componentes:

Componente 1. Integración de los pequeños productores en las cadenas de valor, haciendo énfasis en las pequeñas productoras y en los pequeños productores juveniles; consta de cuatro subcomponentes centrados en el aumento de la calidad de la producción, la productividad y la inclusividad de las cadenas de valor seleccionadas. La Dirección Forestal se encargará de la ejecución en asociación con la empresa estatal de inversión para el desarrollo de los condados, la explotación forestal estatal, las empresas privadas, las cooperativas y el comité de planificación local. Se producirá principalmente madera y brotes de bambú, frutos de la planta *Camellia oleifera* y plantas medicinales. Se centrará en la mejora de la gestión de las plantaciones existentes de bambú, la rehabilitación de tierras para la producción de *Camellia oleifera* y el cultivo de plantas medicinales. Entre los principales resultados en el marco de este componente, cabe citar los siguientes: i) planes de gestión y acuerdos de asociación en materia de producción inclusiva y sostenible; ii) aumento de la superficie de tierra con arreglo a prácticas de gestión sostenibles y climáticamente inteligentes; iii) infraestructura para la producción de cultivos, y iv) un modelo de seguimiento y contabilización del secuestro de carbono.

Componente 2. El desarrollo empresarial inclusivo e impulsado por las empresas invertirá en empresas en eslabones iniciales de las cadenas de valor y en empresas seleccionadas por el Gobierno. Dicho componente está formado por tres subcomponentes, centrados en i) mejorar el desarrollo del plan de actividades, con inclusión de los pequeños productores y el crecimiento de las empresas en las

cadenas de valor; ii) establecer una infraestructura energética productiva y eficiente, y iii) mejorar las capacidades de las empresas en materia de elaboración, desarrollo de productos, diversificación y comercialización. La empresa estatal de inversión para el desarrollo de los condados invertirá en empresas públicas tales como explotaciones públicas y en sociedades privadas por medio de empresas conjuntas.

Componente 3. La gestión del proyecto y la creación de capacidad se centran en fortalecer la capacidad de gestión a los fines de su ejecución. Las direcciones forestales ofrecerán espacio de oficinas, apoyo logístico y de personal, y gestionarán el proyecto. Se incluirán disposiciones en materia de seguimiento y evaluación (SyE) y gestión de los conocimientos, así como oportunidades para la cooperación Sur-Sur y triangular, con el apoyo de la Red Internacional del Bambú y el Ratán (INBAR). La financiación se hará con cargo al préstamo del FIDA y a los gobiernos provinciales y condales.

C. Teoría del cambio

20. Si los pequeños productores gozan de una mejor integración en las cadenas de productos básicos de alto valor y las empresas de elaboración agrícolas de esas mismas cadenas de valor son provistas de oportunidades inclusivas en materia de desarrollo empresarial, entonces podrán impulsar juntos el aumento de la producción y la calidad de los productos, la adaptación al clima y un mayor secuestro de carbono, el aumento del valor añadido y de las cuotas de mercado. Esto se debe a que i) las cooperativas y los pequeños productores se organizan de manera inclusiva y están empoderados, y reciben asistencia y asesoramiento técnico adecuado, así como incentivos para producir de forma sostenible, y ii) desde una perspectiva técnica, ambiental y financiera, los planes de negocios factibles e inclusivos y las inversiones en infraestructuras suponen un incentivo para que el sector privado colabore con los pequeños productores. De esta manera se favorecerá el desarrollo verde al tiempo que se reducen las emisiones y se mejora el secuestro de carbono.

D. Armonización, sentido de apropiación y asociaciones

21. **Armonización con las estrategias y prioridades nacionales.** El proyecto se ajusta a la Estrategia de Revitalización de las Zonas Rurales del Gobierno, al Decimocuarto Plan Quinquenal (2021-2025) y al documento núm. 1 de la provincia de Hunan, en el cual se hace énfasis en el desarrollo de una industria integrada para productos locales especializados, el establecimiento de cadenas de valor de calidad, y la mejora y diversificación de los ingresos de los agricultores. El proyecto también se ajusta al Plan Nacional de Adaptación al Cambio Climático del Gobierno y contribuirá a un aumento del secuestro de carbono, al desarrollo económico, a la reducción de la pobreza y a la protección ambiental.
22. **Armonización con los Objetivos de Desarrollo Sostenible.** Los objetivos del Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan están en consonancia con los siguientes Objetivos de Desarrollo Sostenible (ODS): ODS 1 (Fin de la pobreza), ODS 2 (Hambre cero), ODS 5 (Igualdad de género), ODS 10 (Reducción de las desigualdades), ODS 13 (Acción por el clima) y ODS 15 (Vida de ecosistemas terrestres).
23. **Armonización con las estrategias del FIDA.** El proyecto está en consonancia con el Marco Estratégico del FIDA (2016-2025) e incrementará las capacidades productivas de la población de las zonas rurales, mejorará los beneficios derivados de la participación en el mercado y fortalecerá la sostenibilidad ambiental y la resiliencia al clima. También está en consonancia con el programa sobre oportunidades estratégicas nacionales (COSOP) y con las recomendaciones de la evaluación de la estrategia y el programa en el país, dado que se centra en cadenas de valor inclusivas, y contribuirá a cumplir el objetivo de China consistente en lograr una economía neutra en carbono, así como a la resiliencia ambiental y al clima. El proyecto se ajusta a la Estrategia del FIDA para la Colaboración con el

Sector Privado y está orientado hacia el futuro, ya que inicia una transición de un modelo de mitigación de la pobreza a un modelo de prosperidad compartida mediante el impulso de las industrias rurales. Asimismo, el proyecto inicia la contribución del FIDA a los compromisos asumidos por China en pos del bien público mundial en materia de sostenibilidad ambiental y en relación con el mantenimiento de instituciones rurales fundamentales que promueven el desarrollo socioeconómico.

24. **Armonización y asociación.** Las oficinas de gestión del proyecto coordinarán sus planes de inversión con otros departamentos a fin de fortalecer y respaldar las inversiones en las plantaciones y los parques de empresas. El Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan se coordinará con el centro de secuestro de carbono y la plataforma de carbono para forjar una alianza con el Banco de Desarrollo KfW con el fin de aumentar el secuestro de carbono en el sector de la agroforestería. Se estudiarán colaboraciones en relación con la comercialización, recientemente aprobada, de derechos de emisión de carbono, y se buscará forjar alianzas con la INBAR en materia de cooperación Sur-Sur y triangular y con la Organización de las Naciones Unidas para el Desarrollo Industrial en relación con la puesta en funcionamiento de parques de agroempresas.

E. Costos, beneficios y financiación

25. De conformidad con las metodologías que emplean los bancos multilaterales de desarrollo en el seguimiento de la financiación para la adaptación al cambio climático y la mitigación de sus efectos, se calcula que el monto total de la financiación para el clima concedida por el FIDA a este proyecto asciende a EUR 55,9 millones (EUR 22,2 millones para adaptación y EUR 33,7 millones para mitigación).
26. **Costos del proyecto.** El costo total del proyecto se estima en EUR 213,5 millones a lo largo de un período de seis años.

Cuadro 1

Costos del proyecto desglosados por componente y entidad financiadora

(en miles de euros)

Componente	Préstamos del FIDA		Otros cofinanciadores		Beneficiarios			Prestatario/receptor			Total	
	Monto	Porcentaje	Monto	Porcentaje	Efectivo	En Especie	Porcentaje	Efectivo	En especie	Porcentaje	Monto	Porcentaje
1. Integración de los pequeños productores en las cadenas de valor	39 952	32,5	52 660	42,9	-	14 898	12,1	15 291	-	12,5	122 801	57,5
2. Desarrollo empresarial inclusivo impulsado por empresas	30 489	36,2	49 722	59,0	-	-	-	4 029	-	4,8	84 240	39,5
3. Gestión del proyecto y desarrollo de la capacidad	2 179	33,7	-	-	-	-	-	4 280	-	66,3	6 459	3,0
Total	72 620	34,0	102 382	48,0	-	14 898	7,0	23 600	-	11,1	213 500	100,0

Cuadro 2

Costos del proyecto desglosados por categoría de gastos y entidad financiadora

(en miles de euros)

Categoría de gastos	Préstamo del FIDA		Otros cofinanciadores		Beneficiarios			Prestatario/receptor			Total	
	Monto	Porcentaje	Monto	Porcentaje	Efectivo	En especie	Porcentaje	Efectivo	En especie	Porcentaje	Monto	Porcentaje
Costos de inversión												
1. Funcionamiento y mantenimiento	-	-	759	81,24	-	-	-	175	-	18,8	934	0,4
2. Bienes, servicios e insumos (FIDA)	26 831	100	-	-	-	-	-	-	-	-	26 831	12,6
3. Fondos de contrapartida (Gobierno)	-	-	-	-	-	-	-	21 860	-	100,0	21 860	10,2
4. Obras (FIDA)	16 692	100	-	-	-	-	-	-	-	-	16 692	7,8
5. Equipos y materiales (FIDA)	29 097	100	-	-	-	-	-	-	-	-	-29 097	13,7
6. Beneficiarios	-	-	-	-	-	14 898	100	-	-	-	14 898	7,0
7. Sector privado	-	-	96 971	100	-	-	-	-	-	-	96 971	45,4
Costos totales de inversión	72 620	34,0	97 730	50,8	-	14 898	7,2	22 035	-	11,5	207 283	97,1
Costos recurrentes												
1. Costos de funcionamiento	-	-	4 652	74,8	-	-	-	1 565	-	25,2	6 217	2,9
Costos recurrentes totales	-	-	4 652	74,8	-	-	-	1 565	-	25,2	6 217	2,9
Total	72 620	34,0	102 382	48,0	-	14 898	7,0	23 600	-	11,1	213 500	100,0

Cuadro 3

Costos del proyecto, desglosados por componente y año del proyecto

(en miles de euros)

<i>Componente</i>	<i>Primer año</i>		<i>Segundo año</i>		<i>Tercer año</i>		<i>Cuarto año</i>		<i>Quinto año</i>		<i>Sexto año</i>		<i>Total</i>
	<i>Monto</i>	<i>Porcentaje</i>	<i>Monto</i>	<i>Porcentaje</i>	<i>Monto</i>	<i>Porcentaje</i>	<i>Monto</i>	<i>Porcentaje</i>	<i>Monto</i>	<i>Porcentaje</i>	<i>Monto</i>	<i>Porcentaje</i>	<i>Monto</i>
1. Integración de los pequeños productores en las cadenas de valor	12 514	10,19	30 573	24,9	42 805	34,86	24 487	19,94	12 360	10,07	62	0,05	122 801
2. Desarrollo empresarial inclusivo impulsado por empresas	19 483	23,13	15 835	18,8	21 973	26,08	15 499	18,4	7 719	9,16	3 731	4,43	84 241
3. Gestión del proyecto y desarrollo de la capacidad	1 658	25,68	861	13,32	861	13,32	861	13,32	861	13,32	1 358	21,03	6 459
Total	33 655	15,77	47 269	22,14	65 639	30,74	40 847	19,13	20 940	9,81	5 151	2,41	213 500

27. **Financiación y estrategia y plan de cofinanciación.** El Gobierno ha solicitado un préstamo de EUR 72,6 millones al FIDA, el cual se facilitaría con arreglo al Mecanismo de Acceso a Recursos Ajenos (BRAM) en condiciones ordinarias. No hay cofinanciación internacional. El Gobierno aportará EUR 23,6 millones, el sector privado aportará EUR 102,4 millones y los pequeños productores beneficiarios aportarán EUR 14,9 millones.

Desembolsos

28. Se abrirá una cuenta designada en dólares de los Estados Unidos en el Departamento Provincial de Finanzas de Hunan para la recepción de los fondos del FIDA. Se utilizarán las cuentas de tesorería de cada condado (oficinas de finanzas de los condados) como cuentas del proyecto en moneda local para la recepción de los fondos transferidos desde la cuenta designada.
29. Los **flujos de fondos** seguirán el mecanismo de fondo rotatorio descrito en el Manual de gestión financiera y control financiero de proyectos para prestatarios del FIDA y en la carta sobre la gestión financiera del proyecto y las disposiciones relativas al control financiero. La oficina provincial de gestión del proyecto deberá presentar informes financieros provisionales cada trimestre y solicitudes de retiro de fondos por separado (anticipo y justificación) a través del Portal de los Clientes del FIDA, con previsiones de efectivo para los dos trimestres siguientes, a fin de solicitar el desembolso de fondos del FIDA.

Resumen de los beneficios y análisis económico

30. El Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan beneficiará de manera directa a 43 500 hogares de pequeños productores y a 128 000 personas, dado que en la provincia cada hogar tiene en promedio 2,95 personas. En dichas cifras ya se excluye una doble contabilización.
31. Solo se ha realizado el **análisis financiero** en relación con el componente 1, ya que las actividades posteriores a la producción referidas al componente 2 se abordarán durante la elaboración de los planes de actividades, en los cuales dicho análisis financiero será una parte fundamental.
32. El **análisis económico** (únicamente respecto del componente 1, como ocurre con el citado análisis financiero) indica una tasa interna de rendimiento económico del 15 % con un valor actual neto económico de CNY 718,66 millones, utilizando una tasa de descuento del 8 %. Dichas cifras muestran que el proyecto es económicamente viable. Se llevó a cabo un análisis de sensibilidad para poner a prueba la solidez de los dos factores principales, a saber, la reducción del precio de los productos y un aumento de los costos.

Estrategia de salida y sostenibilidad

33. La estrategia de salida y sostenibilidad se basa en un enfoque de tres pilares, que consiste en utilizar las empresas como principal impulsor del crecimiento, reforzar las capacidades de los beneficiarios y mantener un entorno propicio y la colaboración en el ámbito de las políticas. Las tres cadenas de valor seleccionadas son consideradas estratégicas a juicio del Gobierno y presentan un potencial considerable en materia de crecimiento ecológico y desarrollo. La expansión empresarial se sustenta en la provisión de acceso a infraestructuras por medio de parques de agroempresas que permitan incrementar la capacidad de elaboración y en el abastecimiento de una base de suministro de materias primas que incluya a los pequeños productores y a las cooperativas. El fortalecimiento de las capacidades de los beneficiarios con miras a mejorar la gestión de los conocimientos y las prácticas, así como el acceso a las infraestructuras y técnicas de producción, permitirá una mayor adaptación a los riesgos climáticos. El mantenimiento de un entorno propicio y de la colaboración en el ámbito de las

políticas será impulsado a escala provincial y de condado. La empresa estatal de inversión para el desarrollo de los condados seguirá realizando inversiones con cargo a sus recursos para fomentar el desarrollo de las cadenas de valor seleccionadas.

III. Gestión de riesgos

A. Riesgos y medidas de mitigación

34. Los principales riesgos vinculados a este proyecto relativo a las cadenas de valor e impulsado por las empresas son las dinámicas del mercado, los riesgos climáticos, la transparencia y la equidad respecto de la colaboración entre los pequeños productores y las empresas, y evitar que los pequeños productores queden atrapados por contratos que les impidan participar equitativamente en los beneficios derivados de un aumento de los precios o de la demanda. El proyecto reforzará la capacidad de los agricultores e impulsará el desarrollo de infraestructuras de irrigación, almacenamiento, elaboración primaria y un mayor acceso a medidas relacionadas con los seguros del sector público (se probará de manera experimental un seguro de agroforestería). Los parques de agroempresas facilitarán infraestructuras de elaboración a las empresas privadas que respeten las normas de protección del medio ambiente.
35. En todas las fases del desarrollo de infraestructuras se cumplirán la legislación nacional de China y las disposiciones de los Procedimientos del FIDA para la Evaluación Social, Ambiental y Climática (PESAC) en relación con las salvaguardias socioambientales. En el marco del proyecto se revisará a las empresas asociadas para garantizar que estas disponen de sistemas de gobernanza ambiental y social en consonancia con las normas gubernamentales y del FIDA, y que hacen públicos dichos sistemas. Las empresas privadas observarán asimismo las normas de seguridad de sus trabajadores y los protegerán de todo tipo de acoso o abuso.
36. Solo hay minorías étnicas en dos de los siete condados en los que se ejecutará el proyecto, y están bien integradas en la sociedad en general. Se ha elaborado un marco de planificación para los Pueblos Indígenas que hace hincapié en los procesos de consentimiento libre, previo e informado, y garantizará que el proyecto no plantee ningún riesgo a ningún miembro de una minoría.
37. El Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan extraerá enseñanzas de proyectos anteriores con miras a la eficiencia en la ejecución, y ofrecerá un apoyo integral desde la puesta en marcha y formación al personal del proyecto y a los expertos técnicos locales que contacte la oficina provincial de gestión para que brinden su orientación técnica a los fines de la ejecución del proyecto.
38. **Riesgos de la gestión financiera.** El riesgo general relativo a la gestión financiera del Proyecto de Desarrollo de la Industria Forestal Especializada de Hunan es moderado. El riesgo inherente vinculado a la gestión financiera se considera moderado y no se ha determinado la existencia de riesgos residuales en esta fase. El Departamento Forestal Provincial cuenta con experiencia en la ejecución de proyectos con financiación extranjera, entre ellos los financiados por el Banco Mundial y el Banco Europeo de Inversiones. Se fortalecerá la capacidad del sector privado en materia de gestión financiera con el fin de cumplir plenamente los requisitos del proyecto.

Cuadro 4
Calificación general de los riesgos

<i>Riesgos</i>	<i>Calificación del riesgo inherente</i>	<i>Calificación del riesgo residual</i>
Contexto nacional	Moderado	Moderado
Estrategias y políticas sectoriales	Moderado	Moderado
Medio ambiente y clima	Moderado	Bajo
Alcance del proyecto	Moderado	Moderado
Capacidad institucional de ejecución y sostenibilidad	Moderado	Moderado
Gestión financiera	Moderado	Moderado
Adquisiciones y contrataciones en el marco del proyecto	Moderado	Moderado
Impacto ambiental, social y climático	Moderado	Bajo
Partes interesadas	Moderado	Moderado
General	Moderado	Moderado

* De acuerdo con el análisis del riesgo país evaluado mediante la matriz de riesgos para las adquisiciones y contrataciones, y teniendo en cuenta las enseñanzas pertinentes extraídas de los proyectos en curso o finalizados recientemente.

B. Categoría ambiental y social

39. El riesgo ambiental y social del proyecto se considera moderado. En pocas palabras, los riesgos son manejables dado que estas esferas están muy reguladas en China, cuyas políticas al respecto se consideran satisfactorias de acuerdo con una evaluación del Banco Mundial.

C. Clasificación del riesgo climático

40. El riesgo climático del proyecto se evalúa como bajo. Los peligros relacionados con el clima son, entre otros, los temporales de lluvias, las inundaciones, las sequías y las temperaturas extremas. La sensibilidad y vulnerabilidad a estos riesgos se mitigará con inversiones en el marco del proyecto en tecnologías de irrigación que faciliten el ahorro de agua, con el fin de reducir los efectos negativos de las sequías. Se aplicará el seguro agrícola gubernamental basado en índices meteorológicos para reducir las pérdidas de los agricultores.

D. Sostenibilidad de la deuda

41. China tiene en términos generales una tensión de deuda soberana moderada³. Se prevé que la deuda aumente a mediano y largo plazo, pero también que pueda estabilizarse mediante un ajuste fiscal gradual entre 2025-2035. Los riesgos de liquidez a mediano plazo son altos conforme al análisis del módulo de capacidad de financiación basado en las necesidades brutas de financiación. Sin embargo, la cuenta de capital de China, cerrada parcialmente, y los amplios activos financieros del Gobierno ayudan a mitigar los riesgos de liquidez. A fin de contener los riesgos de la deuda, China debe reducir la inversión pública y subsanar su déficit estructural de ingresos por medio de una reforma fiscal integral.

IV. Ejecución

A. Marco organizativo

Gestión y coordinación del proyecto/programa

42. El Departamento Forestal Provincial ejecutará y coordinará el proyecto en Hunan, donde se creará una oficina provincial de gestión del proyecto. El centro provincial de financiación forestal se encargará de la coordinación y la gestión diaria del proyecto. La oficina provincial de gestión del proyecto, en el seno del centro provincial de financiación forestal, estará dotada de un personal adecuado y movilizará a los expertos técnicos pertinentes de la provincia por medio de un grupo asesor técnico.

³ Informe de país n.º 24/38 del Fondo Monetario Internacional (FMI) (China), Consultas del Artículo IV correspondientes a 2023, febrero de 2024.

43. Se establecerán disposiciones de coordinación interinstitucional para revisar tanto los aspectos estratégicos como operativos del proyecto. Se creará en el plano provincial un mecanismo de coordinación interdepartamental que abarque la reforma en materia forestal, de financiación y de desarrollo, al tiempo que el vicegobernador dirigirá la coordinación y la supervisión en el ámbito de los condados por medio de un grupo directivo con los organismos técnicos pertinentes. Dicho mecanismo servirá de comité directivo del proyecto para garantizar la asistencia oportuna en pos de la ejecución del proyecto.
44. Se crearán oficinas de gestión a nivel de condado en las direcciones forestales de dichos condados para la gestión del proyecto (entre otras cosas, la selección de beneficiarios y la planificación de la ejecución, la supervisión de la planificación de las actividades, la coordinación con la empresa estatal de inversión para el desarrollo de los condados a los fines de inversión en las cadenas de valor, y la coordinación con las instituciones responsables en materia de salvaguardias sociales y ambientales). También se contratará asistencia técnica a corto plazo mediante proveedores de servicios o consultoría.
45. La empresa estatal de inversión para el desarrollo de los condados recibirá los fondos del préstamo directamente a través de la Oficina de Finanzas y trabajará en asociación con las direcciones forestales de los condados respecto de la producción y la elaboración en cada uno de ellos. Utilizarán el préstamo para brindar apoyo a pequeños productores, cooperativas y pequeñas y medianas empresas (ya sean privadas o de propiedad estatal) tanto para los aspectos de producción como de elaboración de la cadena de valor, y operarán conforme a salvaguardias socioambientales estrictas. Se usarán criterios en el marco de la inversión para garantizar la participación de los pequeños productores —mujeres y jóvenes— tanto en la producción como en la elaboración.
46. Se establecerán grupos encargados de la ejecución en las aldeas con arreglo a las circunscripciones administrativas dentro de la zona del proyecto para apoyar la ejecución de este en el plano local. Cada uno de estos grupos estará presidido por el jefe del comité de la aldea y se compondrá de siete u ocho personas, incluidos cuatro o cinco representantes de los agricultores, con una representación mínima de las mujeres del 50 % y al menos uno o dos representantes de la gente joven.

Gestión financiera, adquisiciones y contrataciones y gobernanza

47. La oficina de gestión del proyecto se ocupará de la dotación de personal para la gestión financiera. El proceso de presupuestación incluirá la preparación de un plan de trabajo y presupuesto anuales por cada oficina de gestión del proyecto en cada condado, que serán consolidados por la oficina provincial de gestión del proyecto. Los desembolsos se procesarán a través de la cuenta designada abierta para la recepción de los fondos del FIDA en el Departamento Provincial de Finanzas de Hunan. Se utilizarán las cuentas de tesorería de cada condado (oficinas de finanzas de los condados) como cuentas del proyecto en moneda local para la recepción de los fondos transferidos desde la cuenta designada. Las cuentas del proyecto se utilizarán para financiar todas las actividades relacionadas con este y los costos operacionales. Los flujos de fondos seguirán el mecanismo de fondo rotatorio descrito en el Manual de gestión financiera y control financiero de proyectos para prestatarios del FIDA y en la carta sobre la gestión financiera del proyecto y las disposiciones relativas al control financiero.
48. El sistema de gestión financiera será respaldado por los rigurosos sistemas de tesorería de las oficinas de finanzas de los condados, las cuales supervisarán y verificarán la información presentada en relación con los gastos. En el proyecto se aplicará la política anticorrupción del FIDA a fin de orientar la ejecución del proyecto. También se especificarán los principales procedimientos de control interno en el manual de ejecución del proyecto y en el manual de gestión financiera. Se aplicarán las normas de contabilidad chinas para la presentación anual de información

financiera y la contabilidad diaria del proyecto. En el manual de gestión financiera se especifica el formato de los informes financieros provisionales y los plazos de entrega para la presentación anual de información financiera.

49. La Oficina Provincial de Auditoría se encargará de auditar los informes financieros del proyecto. El informe de auditoría adoptará los formatos y plazos específicos que se precisan en el Manual operacional del FIDA relativo a la información financiera y la auditoría.
50. En la sección 7.05 de las Condiciones Generales para la Financiación del Desarrollo Agrícola se establece que la adquisición de bienes y la contratación de obras y servicios se realizarán de conformidad con las disposiciones especificadas en las normas de adquisiciones y contrataciones del prestatario/receptor, en la medida en que estas sean compatibles con las Directrices del FIDA para la Adquisición de Bienes y la Contratación de Obras y Servicios en el ámbito de los Proyectos, en sus sucesivas versiones enmendadas. Todos los planes de trabajo y presupuestos anuales deberán incluir un plan de adquisiciones y contrataciones, en el que se determinarán los procedimientos que el prestatario/receptor deberá aplicar de modo que se asegure la compatibilidad con las Directrices del FIDA para la Adquisición de Bienes y la Contratación de Obras y Servicios en el ámbito de los Proyectos.

Participación y observaciones del grupo objetivo y resolución de reclamaciones

51. Se ha elaborado un plan de participación de las partes interesadas para el proyecto a fin de garantizar la participación provechosa de estas con arreglo a las políticas de la provincia de Hunan. Se establecerán grupos encargados de la ejecución del proyecto en las aldeas.
52. La Federación de Mujeres de Hunan y la Liga Comunitaria Juvenil participarán como partes interesadas en la organización de los pequeños productores y las cooperativas, y aplicarán el proceso de consentimiento libre, previo e informado para asegurarse de que las comunidades están conformes.
53. Todos los documentos se divulgarán a nivel local y de condado antes de la ejecución del proyecto.
54. China cuenta con sistemas de resolución de reclamaciones desde el ámbito central hasta el de los condados, y las partes interesadas del proyecto pueden acceder a ellos de diversas maneras. Además, el proyecto adoptará su propio mecanismo de resolución de reclamaciones, fácilmente accesible, con el fin de conocer y resolver las inquietudes y las quejas de todas las personas que deseen solicitar reparación.

B. Planificación, seguimiento y evaluación, aprendizaje, gestión de los conocimientos y comunicación

55. El proyecto se ejecutará sobre la base de un plan de trabajo y presupuesto anuales. La oficina provincial de gestión del proyecto consolidará los planes de trabajo y presupuestos anuales elaborados por cada condado para que el FIDA dé su conformidad antes de la entrada en vigor.
56. La oficina de gestión del proyecto asumirá plenamente la apropiación, la rendición de cuentas y la presupuestación a los fines del SyE, mientras que el FIDA proporcionará orientación y apoyo técnico en consonancia con los manuales y las directrices pertinentes. Se presentará información sobre el seguimiento del proyecto con miras a la ampliación de escala durante la ejecución.
57. Las actividades y los enfoques de gestión de los conocimientos del proyecto se centrarán en extraer y documentar las experiencias, las enseñanzas y los casos de éxito que se deriven de las actividades del proyecto y que puedan servir de base para la formulación de políticas o compartirse con otros países mediante la cooperación Sur-Sur y triangular, y la participación en foros para el intercambio de conocimientos.

58. El proyecto brindará apoyo a la empresa estatal para el desarrollo de los condados en sus intentos de introducir diversas iniciativas innovadoras de asociación y financiación directa para agronegocios del sector privado, con el fin de reforzar el marco ambiental y social y las salvaguardias conexas, así como el reparto de dividendos.
59. En el marco del proyecto se evaluarán nuevas tecnologías eficientes y rentables para la extracción del aceite de camelia y se ayudará a mitigar la contaminación de plásticos contribuyendo al desarrollo de productos basados en el bambú que puedan sustituir al plástico.
60. El proyecto colaborará estrechamente con el centro de secuestro de carbono y la plataforma de carbono a nivel provincial para aplicar de manera experimental una metodología de vigilancia del carbono y evaluar el potencial del comercio de derechos de emisión a través de la plataforma de China de reducción certificada de las emisiones, a fin de impulsar el etiquetado con indicaciones relativas al carbono que facilite la exportación de sus productos básicos.

C. Planes para la ejecución

61. Se elaboraron planes de preparación para la ejecución con el fin de facilitar una rápida puesta en marcha tras la entrada en vigor del proyecto. En el manual de ejecución del proyecto se incluyeron planes detallados de adquisición y contratación, que también contenían un pliego de condiciones pormenorizado para todos los proveedores de servicios que hayan de ser contratados, así como un cronograma bien definido y un proceso de programación paso a paso.
62. La supervisión anual directa del FIDA se referirá principalmente a la marcha de las actividades desde el punto de vista físico y financiero, y abordará fundamentalmente las cuestiones relacionadas con i) la eficacia y el enfoque de desarrollo; ii) la sostenibilidad y ampliación de escala; iii) la gestión del proyecto, y iv) la gestión financiera y ejecución.
63. Está previsto para 2027 un examen de mitad de período con el fin de brindar una oportunidad para evaluar, junto con las partes interesadas, la marcha de las actividades, el rendimiento y cualquier impacto incipiente del proyecto, así como toda modificación que pueda ser necesario introducir.
64. Se brindará apoyo a la ejecución con arreglo a la demanda como seguimiento a la supervisión y se facilitará todo el apoyo adicional que pueda requerir el proyecto.
65. Se preparará un informe final a más tardar tres meses después de la finalización del proyecto para evaluar su rendimiento, incluida su pertinencia, eficacia, eficiencia y sostenibilidad de conformidad con las directrices en vigor.

V. Instrumentos y facultades jurídicos

66. Un convenio de financiación entre la República Popular China y el FIDA constituye el instrumento jurídico para la concesión de la financiación propuesta al prestatario/receptor. Se adjunta una copia del convenio de financiación negociado como apéndice I.
67. La República Popular China está facultada por su legislación para recibir financiación del FIDA.

68. Me consta que la financiación propuesta se ajusta a lo dispuesto en el Convenio Constitutivo del FIDA y en sus Políticas y Criterios en materia de Financiación.

VI. Recomendación

69. Recomiendo a la Junta Ejecutiva que apruebe la financiación propuesta de acuerdo con los términos de la resolución siguiente:

RESUELVE: que el Fondo conceda un préstamo en condiciones ordinarias a la República Popular China por un monto de setenta y dos millones seiscientos veinte mil euros (EUR 72 620 000), conforme a unos términos y condiciones que se ajusten sustancialmente a los presentados en este informe.

Álvaro Lario
Presidente

Negotiated financing agreement

Hunan Specialized Forestry Industry Development Project

(Negotiated 13 September 2024)

Loan No: _____

Project name: Hunan Specialized Forestry Industry Development Project (the "Project")

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

and

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

(each a "Party" and 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. 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-two million six hundred twenty thousand Euros (EUR 72 620 000).

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 1st May and 1st November.
6. There shall be a Designated Account in Euros (EUR) for the exclusive use of the Project opened at the Hunan Provincial Department of Finance. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. The Borrower shall, through Hunan Province, provide counterpart financing for the Project in the amount of approximately twenty three million six hundred thousand Euros (EUR 23 600 000) in cash and / or in kind. The contributions from Project cofinanciers and Project beneficiaries will be approximately one hundred seventeen million two hundred and eighty thousand Euros (EUR 117 280 000), in cash and / or in kind based on estimates made during Project design.

Section C

1. The Lead Project Agency shall be the Provincial Forestry Bureau ("PFB") in Hunan Province.
2. A Mid-Term Review will 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 additional grounds for cancellation of this Agreement:
 - (a) 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 personnel has been appointed as per paragraph 11, 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 Budget (AWBP) 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
People's Republic of China

For the Fund:

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

This Agreement 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 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 primarily benefit former registered poor and low-income households, specifically engaging women, youth and ethnic minorities.
2. *Project area.* The Project will cover seven counties – Taojiang, Hengshan, Yanling, Pingjiang, Heshan, Yuanling and Xupu (*the "Project Area"*). These have been selected based on (i) willingness and commitment of government and beneficiaries to participate; (ii) high potential for smallholders to produce the commodities; and (iii) willing private sector enterprises to invest in the selected value chains.
3. *Goal.* The goal of the Project is to promote rural revitalization and enable smallholders to benefit from rural transformation through an enterprise led inclusive green growth model.
4. *Objectives.* The development objective of the Project is to increase the capacity of approximately 128,000 smallholder beneficiaries for enhanced production and access to markets and employment, while optimizing environmental sustainability, climate resilience and contributing to China carbon neutrality goal, focusing on three value chains – bamboo, camelia oleifera, and medicinal plants. It is expected that women beneficiaries will be around 60% and youth will constitute around 30%.
5. *Components.* The Project shall consist of the following Components:

Component 1: Smallholder Integration in Value Chains with emphasis on women and youth smallholders: Consists of four sub-components focusing on enhancing the production quality, productivity, and inclusivity of the selected value chains, including (i) Developing inclusive and sustainable production management plans, (ii) Implementation of sustainable and climate smart management practices, (iii) Key climate resilient infrastructure investments for cultivating the selected high value chain crops, and (iv) Enhancing carbon sequestration, resilience and monitoring and accounting. The Forestry Bureau will lead the implementation in partnership with the County Development Investment Company (CDIC), the forest farm, private enterprises, cooperatives, and the village implementation groups. Production will be mainly bamboo shoots and wood, camellia oleifera fruits, and medicinal plants.

Component 2: Enterprise-led inclusive Business Development: This component will invest in upstream businesses and selected government enterprises. It includes three sub-components focusing on enhancing the business development and growth of enterprises in the valuechains, assisting enterprises to partner with smallholder farmers, and enhancing enterprises' processing capacity, product development, diversification, and marketing. The sub-components include: (i) Inclusive Business Plan Development, (ii) Establishment of energy efficient productive infrastructure, and (iii) Product development and marketing.

Component 3: Project Management and Capacity Building: This component will focus on building management capacity for implementation. The Lead Project Agency and Forest Bureaus will provide office accommodation, logistical support, staff and manage the Project. Arrangements for monitoring and evaluation, knowledge management, and opportunities for South-South Triangular Cooperation (SSTC) with the support of the International Bamboo and Rattan Organization will be included.

II. Implementation Arrangements

1. *Lead Project Agency.* The Project will be executed and coordinated by the Provincial Forestry Bureau (PFB) in Hunan Province. A Provincial Project Management Office (PPMO) will be set up in the PFB. Specifically, the Provincial Forestry Fund Station (PFFS) will undertake the day-to-day coordination and implementation management of the Project.
2. *Project Oversight Committee.* An inter-agency coordination mechanism will be established at provincial level to provide policy guidance and implementation oversight of the Project, as well to ensure implementation of China's environmental and social safeguards policy. At the county level, a County Vice Governor will lead the county level coordination and supervision through a leading group with member agencies including forestry, finance, agriculture and rural affairs, development reform, water, natural resources, and environment protection.
3. *County Project Management Offices (CPMO).* County Project Management Offices (CPMO) will be established at the County Forestry Bureaus (CFB) to manage the project (including targeting beneficiary and implementation planning, overseeing business planning, coordinating with CDICs for value chain investment, and coordinating with institutions responsible for social and environmental safeguards).
4. *Key Project Personnel.* Each PMO will be staffed adequately 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").
5. *County Development Investment Company (CDIC).* The CDIC will receive the loan funds directly through the Bureau of Finance and will work in partnership with the CFBs in the production and processing in each county. They will use the loan to support smallholders, cooperatives, and small and medium enterprises (either private or State owned), both for the production and the processing side of the value chain and operate under strict socio-environmental safeguards. Investment criteria to ensure participation of smallholders, women and youth in both the production and processing will be used.
6. *Village Implementation Groups (VIGs).* VIGs will be established in the administrative villages of the Project to support the Project implementation locally. Each VIG shall be headed by the Chief of the village committee and composed of 5 to 6 members including 3 to 4 farmer representatives with a minimum women representation of 50% and at least one or two youth representatives.
7. *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.
8. *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 elements of the M&E system will be aligned to the logframe and will include specific responsibilities for monitoring targeted performance on environment and climate (including carbon sequestration, adoptions of sustainable practices, training of groups on sustainable natural resource management etc.) and for beneficiary monitoring, especially women, youth and vulnerable groups (e.g. persons with disabilities).

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. Key elements of the monitoring and evaluation system will be aligned to the logframe and will include specific responsibilities for monitoring targeted performance on environment and climate (including carbon sequestration, adoptions of sustainable practices, training of groups on sustainable natural resource management etc.) and for beneficiary monitoring, especially women, youth and vulnerable groups (e.g., persons with disabilities).

9. *Knowledge Management.* The Knowledge Management activities/approaches would focus on capturing and documenting experiences, lessons, and successful cases from Project activities that would inform policymaking and shared with other countries through SSTC and participation in knowledge sharing fora. Knowledge Management 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 within 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.

10. *Project Implementation Manual.* The PIM provides guidelines for implementation of the Project. 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 may be amended from time to time as agreed between IFAD and the Borrower (through Hunan 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 and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed:

Category	Loan Amount Allocated (expressed in EUR)	Percentage eligible for IFAD financing including indirect taxes as applicable
Goods, Services, Inputs, Works, Equipment & Material	72 620 000	100%
TOTAL	72 620 000	

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

“Goods, Services and Inputs”: includes goods and consultancy and non-consultancy services.

“Works”: includes works and infrastructure-related expenditures.

“Equipment and materials”: include equipment and materials only.

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

2. *Disbursement arrangements*

(a) Retroactive financing

As an exception to section 4.07 (a)(ii) of the General Conditions for Agricultural Development Financing, specific eligible expenditures incurred as 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 two hundred and sixty-two thousand Euros (EUR 7 262 000) for activities relating to the project's start-up and preparation project 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 MI; (vi) exposure visits for knowledge and experiences sharing; (vii) surveys and feasibility studies; (viii) training and technical assistance for cooperatives, including recruitment of service providers.

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.2 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 will identify and install 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 Hunan Province) shall ensure that a Planning, Monitoring and Evaluation (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 Hunan 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 60% 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 the 2021 SECAP Procedures of the Fund, the Borrower (through Hunan 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 Hunan 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 Hunan 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 Hunan 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 1. The Key Personnel shall be assigned or recruited based on qualifications, experience and terms of reference are 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 low 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, and Free, Prior and Informed Consent (FPIC) Plan, 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 Hunan Province) and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plans.

2. The Borrower (through Hunan 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 Hunan 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 SECAP 2021 Edition and the Management Plans prepared for the Project.

4. In the case of a 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 Borrower⁴ which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse 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 Hunan 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;
- 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 Hunan 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 Hunan 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 Hunan Province) 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.

⁴ 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.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility		
Outreach	1 Persons receiving services promoted or supported by the project				Project M&E	Annually	PMOs	Sustained investment from government to rural revitalization in the focused sectors/areas of this project	
	Males - Number	0	8700	17400					
	Females - Number	0	8700	26100					
	Young - Number	0	1740	13050					
	Indigenous people - Number	0	870	2175					
	Total number of persons receiving services - Number	0	17400	43500					
	Male - Percentage (%)	0	50%	40%					
	Female - Percentage (%)	0	50%	60%					
	Young - Percentage (%)	0	10%	30%					
	1.a Corresponding number of households reached				Project M&E	Annually	PMOs		
	Women-headed households - Number	0	870	2 175					
	Non-women-headed households - Number	0	16 530	41 325					
	1.b Estimated corresponding total number of households members				Project M&E	Annually	PMOs		
Household members - Number of people	0	60 900	128 325						
Project Goal Promote rural revitalization and enable smallholders to benefit from rural transformation through a private sector led green growth model which is inclusive and environmentally sustainable.	Supported households reporting increased income from the project supported value chains				Core Outcome Indicator(COI) survey	Baseline, Mid-term and completion	PMOs, M&E service provider	Continuity of economic, social and marketing stability in the target project area.	
	Total households - Percentage (%)	0	35%	80%					
	Female headed households - Percentage (%)	0	35%	80%					
	Indigenous households - Percentage (%)	0	35%	80%					
Development Objective Increase smallholder's capacity for increased production and improved quality, climate resilience and access to markets through the development of three selected value chains namely bamboo, camellia oleifera and medicinal plants in seven selected counties in the Hunan Province	2.2.6: Households reporting improved physical access to markets, processing and storage facilities				COI survey	Baseline, Mid-term and completion	PMOs, M&E service provider	Productions of smallholder farmers are linked to the processing and storage facilities supported by the project	
	HH reporting improved physical access to processing facilities	0	1400	5700					
	HH reporting improved physical access to processing facilities %	0	35%	70%					
	Size of HH (number of people)	0	4060	16530					
	HH reporting improved physical access to storage facilities	0	1400	5700					
	HH reporting improved physical access to storage facilities %	0	35%	70%					
	Size of HH (number of people)	0	4060	16530					
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI survey	Baseline, Mid-term and completion	PMOs, M&E service provider		
	Households - Percentage (%)	0	35%	80%					
	Households - Households	0	5250	28000					
	2.2.1 Beneficiaries with new jobs/employment opportunities				COI survey	Baseline, Mid-term and completion	PMOs, M&E service provider		Employment opportunities generated from the project investment in private sectors of the selected value chains are attractive to local people, particularly to female and youth. Meanwhile local people are qualified or could be trained to meet the employment requirement
	Males - number	0	480	960					
	Females - number	0	720	1440					
Indigenous people - number	0	60	120						
Young - number	0	720	1440						
Total number of persons with new jobs/employment opportunities	0	1200	2400						
SF.2.1 Households satisfied with project-supported services				COI survey	Baseline, Mid-term and completion	PMOs, M&E service provider			
Households (%)	0	50%	75%						
Households-number	0	8 700	32 625						
SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI survey	Baseline, Mid-term and completion	PMOs, M&E service provider	The baseline, mid-term and completion surveys could interview the same group of sampled respondents for empowerment assessment		
Households (%)	0	50%	75%						
Households (number)	0	8 700	32 625						
Household members(number)	0	25 665	96 244						
IE.2.1 Individuals demonstrating an improvement in empowerment				COI survey	Baseline, Mid-term and completion	PMOs, M&E service provider			
Total persons - Percentage (%)	0	25%	64%						
Total persons - Number of people	0	4350	24360						
Females - Percentage (%)	0	25%	60%						
Females - Females	0	2175	15660						
Males - Percentage (%)	0	25%	50%						
Males - Males	0	2175	8700						
Outcome 1 Increased production & productivity	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices				COI survey	Baseline, Mid-term and completion		PMOs, M&E service provider	Smallholder farmers will be organized through cooperative, village or private sectors for collective action and for provision of services and support.
	% of Households	0	25%	50%					
	Number of Households	0	3750	17500					
Output 1.1 -Inclusive & Sustainable Production Management Plans developed				Project M&E	Annually	PMOs, M&E service provider	The willingness of the smallholders, the cooperatives, village communes and private enterprises to participate in the project has been assessed by the County Governments		
Number of plans	0	8	8						
Output 1.2 - Area under sustainable & climate smart management practices increased (incl. women & youth led)	Supported areas under sustainable & climate adaptive management practices				Project M&E	Annually	PMOs, M&E service provider	Cooperative, village or private sectors have the willingness and capacity to organize collective production with adopted sustainable & climate adaptive management practices	
	Bamboo production area-ha	0	2400	4800					
	Camellia oil tea area-ha	0	2500	5000					
	Medicinal herbs area-ha	0	1700	3500					
	1.1.4 Persons trained in production practices and/or technologies				Project M&E	Annually	PMOs, M&E service provider		
	Females-number	0	8100	16200					
	Males-number	0	5400	10800					
	Youth-number	0	2700	5400					
	Indigenous people -number	0	675	1350					
	Total-number	0	13500	27000					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outcome 2 Climate Adaptation & Enhanced CO2 sequestration	Households reporting improved access to climate adaptive infrastructures				COI's survey	Baseline, Mid-term and completion	PMOs, M&E service provider	Supported infrastructures are responsive to actual needs and with good O&M plan. Carbon sequestration will be increased through improved climate smart management of the plantations
	Households - Percentage (%)	0	25%	55%				
	Households - Households	0	3750	19250				
	Number of household members	0	11063	56788				
	3.2.1: Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered (one of optional mandatory COIs for climate finance project)				2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and FAO's X-ACT	Baseline, Mid-term and completion	PMOs, M&E service provider	
	Hectares of Land	0	2 500	5 000				
tCO2e/ha	0	37.7	37.7					
tCO2e/ 20 years	0	250 571	501 142					
CO2e/ha/year	0	1.9	1.9					
Output 2.1 -Key Infrastructure built & functional	3.1.4 Land brought under climate-resilient management				Project M&E	Annually	PMOs, M&E service provider	Local agro-entities and farmers have been fully consulted on the demand before construction
	Hectares of Land	0	425	850	Project M&E	Annually	PMOs, M&E service provider	
	2.1.5 Roads constructed, rehabilitated or upgraded							
	Length of roads (km)	0	500	1000				
Output 2.2- Model for carbon accounting developed	Bamboo and camellia plantations land monitored by the developed model for carbon monitoring and accounting				Project M&E	Annually	PMOs, M&E service provider	Model for carbon accounting developed
	Hectares of Land	0	980	980				
Outcome 3 Increased value addition & Market share	2.2.2: Supported rural enterprises reporting an increase in profit				COI's survey	Baseline, Mid-term and completion	PMOs, M&E service provider	Continuity of production and marketing stability of the three value chains in the target project area.
	Percentage of enterprise	0	60%	100%				
	Number of enterprise	0	8	8				
Output 3.1 -Inclusive Business Plans developed & financed	2.2.2: Supported rural enterprises reporting an increase in profit				Project M&E	Annually	PMOs, M&E service provider	The terms of engagement between the smallholders and cooperatives on the one hand and between the cooperatives and the private enterprises will be mutually beneficial and will ensure sustained growth and production of the model
	Entitles supported through inclusive, technically and financially feasible business plans (including enterprises and cooperatives)							
	Number of entities	0	7	14				
	Number of women-led entities	0	3	7				
	Households benefiting from productive investment through implementation of business plans				Project M&E	Annually	PMOs, M&E service provider	
Total households - number	0	2895	5790					
Women-headed hh-number	0	145	290					
Output 3.2- Enhanced Processing Capacity & Efficiency	CI 2.1.6: Market, processing or storage facilities constructed or rehabilitated				Project M&E	Annually	PMOs, M&E service provider	Social, environment and climate risks identified will be properly managed through implementation of necessary management plans along the project implementation.
	Processing facilities	0	7	15				
	Storage facilities	0	4	8				
	Total facilities	0	11	23				
Output 3.3 - Product diversification	Product exhibition and e-commerce platform established				Project M&E	Annually	PPMO, M&E service provider	
	Number of exhibition and e-commerce platform	0	3	5				

Integrated project risk matrix

Risk categories and subcategories	Inherent	Residual
Political Commitment		No risk envisaged - not applicable
<p>There is strong political commitment of both central and local governments to the project goals/objectives in promoting rural revitalization through thriving agro-industries to benefit the smallholders and rural economy, while maintaining eco-environmental sustainability and promoting food security, nutrition and health for the people. Rural revitalization envisions key milestones for 2035 and 2050, current and next Five-Year Plan (2026-2030) will surely adhere to the rural revitalization strategy, these and the overall green development strategy is the overarching government strategies for sustainable development that the project will contribute to. China is also committed to carbon peak by 2030 and neutral 2050. 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, the current leadership just embarked on a new term. Despite the one party system being seen as not ideal from outsiders, the government and the people have confidence and trust in the current political system and commitment of the ruling party. During the project life of just 6 years, no major risks are foreseen in terms of political commitment. Counterpart financing for IFAD project has always been adequate in recent projects as result of the targeted poverty reduction strategy and rural revitalization strategy.</p>		
Governance	Low	Low
<p>Risk: 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. Dedicated management arrangements will be made at both provincial and county level for IFI funded development projects, where government attaches higher emphasis in accountability and performances. Project audit and performance M&E are commissioned by national ministries for almost all loan funded projects. Government institutions have gained experience from poverty eradication program and there is generally strong planning and implementation capacity at all levels. The ongoing rural revitalization strategy clearly aims to enhance rural governance. Combating corruption has been given very emphasis by President Xi himself since he took power, and stringent measures and policies were put into places. Risks are likely with regard to performance and accountability of staff in relevant institutions in the county level, which may result into inefficiencies and delays of processes and certain compliances.</p>	Low	Low
<p>Mitigations: The Project Leading Groups at county level and Inter-agency coordinating mechanism at provincial level will be established to supervise the performance of institutions and key individuals of the project, as well as the key indicators and important milestones on project performance, through biannual review exercises.</p>		
Macroeconomic	Low	Low
<p>Risk: China is on steady recovery path from the pandemic with forecasted economic growth rebound to 5.6% in 2023, with removal of mobility and surge in consumer</p>	Low	Low

<p>spending in services. The country is relatively insulated from global food and energy market shocks, maintaining a modest inflation level. Monetary policy continues to support the recovery and ensure adequate liquidity. Fiscal policy continues to provide support to the recovery through tax cuts and exemptions. Growth momentum however remains fragile and dependent on continued policy support. Sluggish income growth, lingering uncertainty about the recovery in the labor market (e.g. youth unemployment rate at 20.4% in April 2023) and high household saving could hold back consumer spending. Externally, uncertain global growth path, tightening in financial conditions and heightened geopolitical tensions are major risks for macroeconomic development. Weak global demand also tempers export growth but shall recover when demand rebounds. The market performance of <u>HuSFID</u> value chains can be influenced by overall economic situation.</p>		
<p>Mitigations: The project will adopt an enterprise led approach in developing the value chain, an inclusive business development component will specifically energize the private sector in enhancing their market performance and productivity while outreaching to rural beneficiaries including youth and women to increase their income level from specialised production. Proper business and investment assessment taking into consideration of SECAP requirement will be part of the process in reviewing/approving investment to ensure economic viability as well as social and environmental sustainability.</p>		
Fragility and Security	Moderate	Moderate
<p>Risk: China continues to improve in its fragility rating. No major fragile vulnerabilities are identified. Emerging risks as part of the pandemic consequences are: a) higher youth unemployment rate; b) persistent income inequality among population groups; c) high non-financial sector debt at all-time high of 287% of 2022 GDP. Aging and population peak may have long-term impact to the fragility of the country.</p>	Moderate	Moderate
<p>Mitigations: (1) Tailored measures by government to promote youth employment (vocational training, loan subsidy, employment services etc.); 2) Expanding coverage and benefit adequacy of social safety nets; 3) further liberalize hukou system and deploy fiscal tools</p>		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Low	Low
<p>Risk: The project is well aligned with the government strategies and policies relating to green development, rural revitalization and food security. The project focus on fostering smallholder inclusivity in rural transformation and green development while also ensuring food security and consolidating poverty eradication achievements, which will contribute to sustainable rural transformation. Governments expects 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 project will promote private sector led business models contributing to sustainable rural transformation, in addition, 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. At the grassroots level however, the practices of pro-poor strategies might be not totally aligned with IFAD's new targeting policy in some cases when leading industries and better/scaled performers tend to be given more focus, alignment with IFAD desired practices and priorities in social inclusion and environmental requirements may still require external facilitation to be satisfactory and conducive for project achievements.</p>	Low	Low
Mitigations:		

Targeting strategy and ESCMP requirements and mitigation actions will be elaborated in the PIM for follow-up compliance. Training and follow up support at Start-up and during implementation will be enhanced to enhance comprehension and buy-in of project stakeholders to these strategies/requirements.		
Policy Development and Implementation	Moderate	Moderate
Risk: 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. Despite favourable and upper-level government policies, the implementation of policies is subject to the absorbing capacity and commitment of local level governments, especially in outlining the specific implementing strategies, measures and actions. In less developed areas, the limitation in capacity of local government and staff may restrict the full attainment of policy expectations and results.	Moderate	Moderate
Mitigations: Institutional capacity building, demonstration, enhanced monitoring and evaluation plus learning through project implementation will be helpful to mitigate policy implementation risks. Having an oversight and coordinating mechanism at county and provincial level will also be conducive for policy implementation in favor of the project.		
Environment and Climate Context	Moderate	Low
Project vulnerability to environmental conditions	Moderate	Low
Risk: The project involves agroforestry plantation in mountain areas and will have limited sensitivity to environmental conditions. Soil and water erosion are always a risk in any agricultural project, notably in mountain but appear limited in the area and well regulated. In addition, the cultivation of bamboo forests and oil tea pays attention and contribute to soil conservation as forestry planting also helps to improve water yield and ecological carbon sequestration, thereby reducing vulnerability to such erosion. The resources involved in the project are mostly renewable, post-production also does not generate excessive residues/waste that may have negative impact on environment. Civil work and infrastructure are of relative limited scale and will be subject to government strong safeguards	Moderate	Low
Mitigations: The project has formulated a detailed ESCMF and ESCMP reviewing government own safeguards and additional specific measures including several to mitigate vulnerability to environmental conditions: i) implementing government water and soil conservation stringent policy and ensure that erosion control and drainage measures will be part of the process and contracting requirements for all infrastructures. If large roads are built in sensitive areas, impact assessment will be conducted; ii) the passageways which are built on the plantations serve the dual purposes of transporting the bamboos down the hills and act as fire break, thereby reducing vulnerability to wild fire. iii) Camellia Oleifera new plantation will be on used or degraded land thereby also positively contributing to reduce vulnerability. iv) The medicinal plants will be planted in the shade of trees, in commercial forest, thereby with reduced erosion risks thanks to trees; The project will promote integrated pest and input management to ensure sustainable input management/mitigate any pollution risks.		
Project vulnerability to climate change impacts	Moderate	Low
Risk: The project area and involved agroforestry crops are exposed to climate-related hazards including drought, flooding, high temperature, and low temperature disasters, which are becoming more frequent and of sever in magnitude. However, the project is not situated in the most exposed and fragile area as it is in hilly areas rather than mountains (so no steep slope and elevation below 500 m as per China definition). The occurrence of weather-related hazards affecting crops, forestry and biodiversity is low. The population is not too sensitive as it is	Moderate	Low

not mainly depending on agricultural income, poverty is low with strong social protection mechanisms and enabling environment. Finally, adaptive capacities are strong coming from government, community and farmers levels, including pre-disaster warning, post disaster support and agricultural insurance (supported by the project) that are widely carried out in the project area.		
Mitigations: a).Focus on key areas and vulnerable populations, to apply hazard identification, monitoring, early warning, and emergency preparedness for areas affected by natural disasters; b) introduce efficient irrigation facilities, water storage and water monitoring systems in areas where the project support tree crops sensitive to drought situation and consider climate when screening relevant tree/crop varieties c) train water user associations in managing climate risks; d) explore weather index insurance to address the risks of climate change and reduce farmers' losses; e) ESCMF-P makes provision to incorporate climate change factors and nature-based solutions into infrastructure improvements to increase resilience to natural disasters and the impacts of climate change: f) Finally, the project will promote the use of supporting trees which can effectively prevent bamboo bending, lodging, and other phenomena caused by rain and snow weather.		
Project Scope	Moderate	Moderate
Project Relevance	Moderate	Moderate
Risk: The project is highly relevant to the government strategy of rural revitalization in its pursuit for inclusive and thriving agribusiness and ecologically liveable countryside in line with the "two-mountain theory" of president Xi. The mains risks pertain to the fact that the benefit generated by the project may not adequately attract/support those economically less active households for their increased income, also their overall benefit sharing with engaged enterprises may not be attractive enough for them to effectively invest/engage in the value chains, 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) re-financing arrangements may not be conducive in engaging smallholders who has potential and interest in generating income from managing tree crops; (iv) mainstreaming themes and non-tangible benefits maybe given less emphasis during implementation thus bring down project effectiveness and impact	Moderate	Moderate
Mitigations: (i) Promoting diversified but private sector led business models with multiple options of benefiting approach to allow project generated dividends benefiting different kind of vulnerable households. (ii) Expand income generating opportunities for the target groups beyond production, labor, primary processing, employment etc.; (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) maximize project support to cooperatives that can enrol adequate number for smallholders and adopt standardize operation		
Technical Soundness	Moderate	Moderate
Risk: The models are not benefiting enough the smallholders and the socio-environmental safeguards aren't followed	Moderate	Moderate
Mitigations: The Governments at the Provincial and county level are committed to consolidating the achievements of poverty alleviation, green growth and neutral carbon pathways through a private sector led transformative model. The Governments will channel their support and resources for the development and growth of the selected value chains through the government-owned County Development Investment Company (CDIC) which are committed to making equity		

<p>investments and attract private enterprises that have sound environmental and social management system.</p> <p>The production and business plans preparation, stakeholder engagement and ESG enforcement will ensure that terms of engagement between the smallholders and cooperatives on the one hand and between the cooperatives and the private enterprises will be mutually beneficial and will ensure sustained growth and production of the model.</p> <p>The market dynamics will continue to support the expansion in the demand of the three selected value chains and bring commensurate benefits from enhanced production and processing of these high value-added commodities.</p>		
Institutional Capacity for Implementation and Sustainability	Moderate	Low
Implementation Arrangements	Moderate	Low
<p>Risk:</p> <p>Overall implementation arrangement with government institutions will be in line with established and proved arrangements for donor/IFI financed projects. The potential risks are: a) the actual functioning and role of government institutions in this project where the private sector is taking lead in financing businesses however requires clearer defining; b) introducing a financing intermediary in the implementation and supporting smallholders through private sector could be the main risk factors; c) role of technical agencies and mechanism of their entry into project implementation to be clarified; d) capacity in overseeing business models, mainstreaming themes, knowledge and M&E could be lacking among PMOs</p>	Moderate	Low
<p>Mitigations:</p> <p>Design has defined the co-financing arrangement with private sectors through a BP approach. Actions to mitigate implementation risks include: a) intensified start up support and training; b) involvement of local technical experts called upon by PPMO to provide technical guidance to project implementation; c) take full advantage of CDIC experience and expertise in business investment; d) soonest finalization of PIM by PPMO with the level of details/specifics that can best guide activity implementation; e) early appointment of staff with designated roles and responsibilities.</p>		
Monitoring and Evaluation Arrangements	Moderate	Low
<p>Risk:</p> <p>Risk of delayed implementation of MIS and M&E system is present. Efficiency and collaboration by private sector in M&E remains uncertain.</p>	Moderate	Low
<p>Mitigations:</p> <p>The Project should set up the MIS and M&E system at the first months of implementation before operations roll out. MIS/M&E samples and experiences of ongoing China projects will be referenced and fully shared for HuSFID. 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. Support of potential service providers will be explored and possibly contracted for project benefit. Periodical reports, internal workshops and knowledge products will need to make full use and build on the M&E information. ICO follow up and support will be given to HuSFID. PIM will be further detailed before its official dissemination to counties to reflect the necessary provisions for M&E requirements.</p>		
Project Financial Management	Moderate	Moderate
Project Organization and Staffing	Substantial	Substantial
<p>Risk:</p> <ul style="list-style-type: none"> • Staff capacity of PPMO and especially in the counties may not be on the required level. • The financial operations of the project within the PPMO and County PMOs will be distinct, and ring fenced from the country public financial management. A Project Implementation Manual which describes the financial management and procurement arrangements is outlined in Annex 8 Volume II. • providers proposed for implementing Components 1 and 2 will have capable 	Substantial	Substantial

staff and a financial management (FM) system for managing project funds with qualified Finance staff, safeguarding assets and providing periodical financial reports and other required reports to the PPMO.		
Mitigations: <ul style="list-style-type: none"> • FM staff at PPMO and counties will have detailed job descriptions and detailed FM manual (in PIM). • Start-up training, and continuous support missions from IFAD. • Experience exchange between PMOs on FM in Hunan province. 		
Project Budgeting	Moderate	Moderate
Risk: <ul style="list-style-type: none"> • Preparation of AWPB might be delayed due to staff capacity and approval procedures. • AWPB might not be realistic or not achievable. • The budget preparation and revision process have rigorous procedures within the entity and may cause strict control but some delays in loan disbursement. 	Moderate	Moderate
Mitigations: <ul style="list-style-type: none"> • Training to PPMO and CPMO staff on preparation of AWPB. • A mechanism in place to timely capture the progress of expenditure Vs. budget. 		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Risk: <ul style="list-style-type: none"> • Delay during the start-up of project activities. • Delay in submission of IFRs and WAs to IFAD. • DA and project account arrangements cannot be clear to the project staff. 	Substantial	Substantial
Mitigations: <ul style="list-style-type: none"> • Retroactive financing will be suggested to ensure the timely launching of the project. • Ensure good accounting system that capable to provide IFR and WA in required formats. • Capacity building workshops on preparation of IFRs. • IFR timing will be set 30 days rather than 45 in FMFCL. • FM manual will provide detailed guidance on DA and PA arrangements. 		
Project Internal Controls	Moderate	Moderate
Risk: <ul style="list-style-type: none"> • Big bulks of loan funds will be concentrated in 3 cost categories (Works, GSI & Materials) and procurement process transparency can be challenging. • Limited suppliers for goods and services and less capacity may lead to overpayment for services. • Staff capacity and awareness of anti-corruption policy. 	Moderate	Moderate
Mitigations: <ul style="list-style-type: none"> • Detailed PIM with detailed FM and Procurement procedures along with extensive training on PIM will be provided to the project staff. • Segregation of duties in the project will be set up. • External audit of the project to be conducted annually. • IFAD anti-corruption policy will be included in PIM and training delivered to staff and stakeholders. • Effective computerized software shall be used to ensure the reconciliation of account and chasing of payment. 		
Project Accounting and Financial Reporting	Moderate	Moderate
Risk: <p>Financial reporting is not produced properly and timely due to manual accounting. Cost categories cannot be properly reflected in the financial reporting. 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.</p>	Moderate	Moderate

<p>Mitigations:</p> <ul style="list-style-type: none"> The accounting software already used in other Chinese project will be set up to meet to IFAD accounting and financial reporting requirements. Including cost categories. 		
Project External Audit	Moderate	Moderate
<p>Risk:</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>Mitigations:</p> <ul style="list-style-type: none"> The Hunan provincial NAO will be responsible for external audit and IFAD will communicate IFAD requirements on financial reporting and auditing to the auditors. 		
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
<p>Risk:</p> <p>Legal, regulatory and policy framework are clear and mainstreamed with international procurement practices. There are complete system framework on procurement and corresponding laws and regulations in China. The domestic supply market is sufficient and the conditions for the implementation of international funded projects are favorable.</p> <p>Open Tendering is most common competitive method that prescribed in China Tendering and Bidding Law, of which the thresholds are not less than CNY4 million for Works, CNY2 million for Goods, and CNY1 million for Services. The other methods include Bidding by Invitation, Shopping, Competitive Negotiation, etc. The direct contract can be applied in special cases based on sufficient reasonable ground.</p> <p>Risk:</p> <ul style="list-style-type: none"> IFAD's Consulting Services methods (QCBS/LCS/CQS/QBS/FBS) are not indicated in the National Procurement Law. The minimum of advertising time prescribed in China Tendering and Bidding Law are shorter than the requirement of IFAD. For example, the national laws prescribed that minimum of 20 days for national Open Bidding (competitive); minimum of advertising time from 10 to 20 days for less competitive procurement processes. 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> The Project Procurement Arrangement (PPA) will specify provisions for application of different procurement methods and direct contracting/single source selection, satisfying IFAD requirements. In term of efficiency and practicability, the application of the national advertising rules will have limited impact on the project. 		
Accountability and Transparency	Moderate	Moderate
<p>Risk:</p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.</p> <p>Risk:</p> <ul style="list-style-type: none"> The stakeholder support to strengthen integrity in procurement is relatively weak due to the lack of enough channels for engagement and feedback that are promoted by the government. 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> Promote anti-corruption framework, establish internal compliance measures or support integrity and ethical behavior in public procurement. 		

Capability in Public Procurement	Moderate	Moderate
<p>Risk: The Provincial Project Management Office is instituted in the Provincial Forestry Department of Hunan, which is experienced in implementing international financial organizations projects. The PPMO is basically capable of implementing the procurement of IFAD funded projects. The sustainable procurement capacity building for all the procurement participants at each level will be taken into account throughout the entire project lifecycle. A provincial procurement agency should be recruited to provide the professional services for project procurement as early as possible.</p> <p>Risk: - Less training, advice and assistance could be directly acquired from government department relate to procurement. - The professional certifications regarding to the government procurement department are absent. - The performance management system still needs to be improved, more comprehensive monitoring indicators should be applied for performance assessment.</p>	Moderate	Moderate
<p>Mitigations: - Develop the capacity of procurement officials by increasing the professional procurement training at project level. - The system or mechanism should be established for assessing the capacity and profession of the government procurement department, for example, through the measures of training, examination or authentication. - It is necessary to reform and establish the regulations for supporting and improving the public procurement system. For example, put the Post Procurement Evaluation into practice.</p>		
Public Procurement Processes	Moderate	Moderate
<p>Risk: Procurement of Goods, Works and Consulting Services financed by IFAD will be involved in Procurement Plan and carried out in accordance with the IFAD Procurement Guidelines, IFAD Procurement Handbook and relevant procurement policy of IFAD. China National Procurement Laws and corresponding implementation manuals will be applied for the procurement financed by government counterpart. The procurement methods to be applied, prior review arrangements, and the thresholds for different procurement methods will be taken into account at detailed design stage and the Project Procurement Arrangement (PPA) will be developed to guide the project procurement. While the procurement processes are implemented on the government public trading platform, the Project Implementation Agency should coordinate with the platform to ensure that more flexible processes and procedures are applied for IFAD funded project to comply with IFAD Procurement Guidelines, IFAD Procurement Handbook and its subsequent. The platform should be able to implement the electric procurement processes which could serve as an alternative procurement approach.</p> <p>Risk: - The sustainability criteria applied during the planning stage are not sufficiently to ensure value for money. - The discrepancies exist between national procurement processes and IFAD's. - Delays in contract implementations are often happened due to objective and subjective matters</p>	Moderate	Moderate
<p>Mitigations: - Improve the bidding document containing the sustainability to ensure the value for money at planning stage. - Combine the national rules and IFAD's as far as possible from the principle of value for money. Some innovative measures could be introduced in place to bridge these discrepancies in practice. - Monitoring closely contract implementation progress with periodic progress reports and follow-up actions.</p>		
Environment, Social and Climate Impact	Moderate	Low

Biodiversity Conservation	Moderate	Low
Risk: The risk that the project may cause significant threats to or the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, territories of the indigenous peoples, or the unsustainable use/production of living natural resources. The Project is fully dependent on production of living natural resources and deal with agro-forestry system so requires attention.	Moderate	Low
Mitigations: The project will only intervene in areas that are already under some kind of agro-forestry system or in degraded areas for limited new. Zoning will also be done and ensure that the project does not intervene in protected areas or red ecological zoning. As per Wild Plants Protection Regulations (2017 Amendment), any entities or individuals are prohibited to illegally collect wild plants or damage their growing environment. Only bamboo is harvested for woody material and the harvesting practices promoted are to ensure sustainable bamboo forest management. Digging bamboo shoots and thinning bamboo forests are commonly used methods for managing bamboo forests, which can effectively prevent the disorderly expansion of bamboo and increase the yield of bamboo shoots and the main grain of bamboo and wood. Finally, the project will promote use of supporting trees which can effectively decrease pest, limit propagation and increase the species diversity of bamboo forests. Furthermore, it will not undertake activities that may cause significant threats to or the loss of biodiversity and ecosystem and its services. By adopting good agricultural practices, the project will also be conducive to the sustainable use of natural resources		
Resource Efficiency and Pollution Prevention	Moderate	Moderate
Risk: The project is sited in an existing agricultural area, with low environmental and/or social sensitivity. Risks related to resource use and pollution includes 1. Use of fertilizer in plantation but this will be limited as mostly organic, and no pesticides used. 2. water use for irrigation: The irrigation systems will be of small scale and use surface water with negligible impact on existing resources. 3. in enterprise: the establishment of enterprise parks will assist in pollution prevention, energy efficiency, solid waste disposal and enforcement and monitoring of quality standards.	Moderate	Moderate
Mitigations: Project supported Business Plan and partnership will elaborate on input use and pollution prevention measures in production and processing. As envisaged in SECAP guidance, project will promote practical options including zero-growth of fertilizer use and integrated fertility management combining with non mineral options & use of micro-organisms & integrated farming; Integrated Pest Management plan to reduce use of pesticide ; Potential dedicated digital advisory to recommendation to specific conditions / micro dosing; Utilization of planting waste and promotion of energy saving, renewable energy ; promoting efficient water management, training water user associations and piloting water monitoring in areas of water scarcity		
Cultural Heritage	Low	Low
Risk: The project activities do not foresee impact to degradation or loss of resources of historical, religious or cultural significance. Project is targeting to use national heritage knowledge and medicinal plants which are not tight to specific areas. However, project may identify and wish to work on some cultural farming systems practices, varieties or knowledge along for instance valorization of medicinal crops,	Low	Low
Mitigations: If a project proposes to utilize cultural heritage / heritage of IP, what is not foreseen in this project, including knowledge, innovations or practices of local communities to benefit the project or for commercial purposes, communities		

should be informed of: (i) their rights under national law; (ii) the scope and nature of the proposed use; and (iii) the potential consequences. FPIC of the local communities should be sought, and arrangements should be made for fair and equitable sharing of benefits.		
Indigenous People	Moderate	Low
Risk: The project area has limited number of ethnic minority people (8.39%), among them, 74.2% inhabit in Yuanling County, and they will share the priority of project targeting. Furthermore, they are integrated in the mainstream of the society and almost no differentiation is made to the ethnic minority 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 minority people in the project areas. However, the project may be sited within commuting distance of ethnic minority and offer them employment.	Moderate	Low
Mitigations: An IPPF has been formulated as well as an FPIC in a culturally appropriate manner. FPIC of the local communities should be sought, and arrangements should be made for fair and equitable sharing of benefits.		
Labour and Working Conditions	Moderate	Low
Risk: Labour and Working Conditions are highly regulated and there is no evidence of violation or deviation reported in relationship with the project design.	Moderate	Low
Mitigations: Standard contract templates for labor will be developed before the start of the project and will require strict implementation during project implementation. The project's beneficiary feedback and grievance redress system will be put in place in complementarity with the government's vertical complaint system. The personal safety protection would be strictly implemented to ensure the safety of labors. 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.		
Community Health and Safety	Moderate	Low
Risk: The risk that the project may cause significant adverse impacts on the physical, mental, nutritional or social health/safety status of an individual, group, or population. Major risks here include: 1) construction of building Any construction envisioning in the project need to have construction permits which require an environmental impact assessment and selection of carefully selected areas with limited exposure to climate/natural risks; 2) Traffic: Work track, dirt roads and gravel roads, planned in bamboo forest are used only for workers to deliver bamboo shoots and bamboo woods and will be small so it is expected that maximum 10 people may use one track a day. 3) Labor influx: additional labour will be required to develop the infrastructure, intensify agro-forestry work and engage in enterprise park processing activities; however, considering rural density of population in China, the project should be able to source labour locally to ensure additional labor can commute daily and won't affect the existing community setting.	Moderate	Low
Mitigations: Government environmental management systems are designed to protect public and worker safety against the potential risks associated with exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials 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,		

<p>Health and Safety Guidelines", while also considering the safety risks to third parties and affected communities. Construction insurances are purchased as required. The selection of the location of the warehouse for storing fertilizers should meet the requirements of GB/T 42958-2023 "Instructions for the Use of Fertilizer Products". The warehouse should be far away from water sources and residential areas, should be built in a place with high terrain and no water, should be equipped with fire equipment and first aid medicine boxes, should have good ventilation conditions and install lighting system. For labor influx, Corporate company bidding to join the project and enterprise park will need to include assessment of labor needs and plans to source labor, prioritizing local labor and including appropriate mitigation and management measures to address risks and potential impacts on the health and safety of communities arising in case of limited influx of project workers.</p> <p>The construction will be designed and constructed by competent professionals, and certified or approved by competent authorities, having clear construction safety guidelines. This should also be clearly stated in the procurement of such constructions.</p>		
Physical and Economic Resettlement	Moderate	Low
<p>Risk: The risk that the project may cause significant adverse physical, social, cultural or economic impacts, especially for marginalized groups, from land acquisition, and involuntary loss of land, assets, access to assets, income sources, or means of livelihoods.</p> <p>No resettlement is foreseen under the project but the project may lead to minor economic displacement and temporary change of land tenure arrangement. The allocation of land for roads is limited considering their limited width (1.5 to 3.5 meter max, so maximum 2% of an average smallholder plot) and possible compensation for road and enterprise constructions will follow government regulations; smallholder farmers may decide to sign long term land lease with the enterprise but this will not change ownership and will be done through a free and prior informed consent and dedicated government procedure</p>	Moderate	Low
<p>Mitigations: Minimize economic displacement during infrastructure construction, applying government measures favoring construction in barren land / existing constructions. For irrigation, this will also include ensuring transparent, informed and documented discussion with all farmers benefitting from the planned irrigation system to reach voluntary signed consent with land user rights holders for placing water ponds or pools on their land. project will review and strengthen property right as needed and, in case of land dispute, do not engage in infrastructure or production investments in concerned land unless dispute settled formally through fair, open, and transparent means. In case of economic displacement to construct infrastructure, ensure appropriate compensation as per province standards following the principle of the national unified guarantee of the basic living standards and property rights and interests of the expropriated farmers.</p>		
Greenhouse Gas Emissions	Low	Low
<p>Risk: The project will aim to contribute to the net reduction of Greenhouse Gas as result of increasing biomass by rehabilitating and improvement the management of the tree crops for increased carbon sequestration and by promoting energy efficient irrigation and transformation infrastructure, including use of renewable energy .</p>	Low	Low
<p>Mitigations: Emissions will be tracked as per project Log frame and component dedicated to improve monitoring of carbon storage in bamboo plantations</p>		
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Low
Risk:	Moderate	Low

Based on historic data analysis, the project area has found become warming as result of global climate change. Especially in the past ten years the warming trend is much more obvious. There is an obvious upward trend that the annual rainfall is also increasing, result in more frequent rainstorm. Increased high-temperature days throughout the year and prolonged low temperature days were also observed.		
Mitigations: 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. For instance, it will also invest in climate resilient practices, climate advisory / alert systems, adoption of disaster preparedness plan and promote use of adapted insurance.		
Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
Risk: 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
Mitigations: (i) Government will make value chain development plan to outline potential stakeholders in the specific value chains and analyse their roles; (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.		
Stakeholder Grievances	Moderate	Moderate
Risk: 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	Moderate
Mitigations: VIGs and CPMOs will conduct regular notifications to the villagers on the planned activities and means/criteria of participation.		
Political Commitment		No risk envisaged - not applicable
There is strong political commitment of both central and local governments to the project goals/objectives in promoting rural revitalization through thriving agro-industries to benefit the smallholders and rural economy, while maintaining eco-environmental sustainability and promoting food security, nutrition and health for the people. Rural revitalization envisions key milestones for 2035 and 2050, current and next Five Year Plan (2026-2030) will surely adhere to the rural revitalization strategy, these and the overall green development strategy is the overarching government strategies for sustainable development that the project will contribute to. China is also committed to carbon peak by 2030 and neutral 2050. 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		

<p>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, the current leadership just embarked on a new term. Despite the one party system being seen as not ideal from outsiders, the government and the people have confidence and trust in the current political system and commitment of the ruling party. During the project life of just 6 years, no major risks are foreseen in terms of political commitment. Counterpart financing for IFAD project has always been adequate in recent projects as result of the targeted poverty reduction strategy and rural revitalization strategy.</p>		
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