
People's Republic of China
Country strategic opportunities programme
2025–2030

Document: EB 2024/OR/20

Item: 7(c)((ii))

Date: 11 November 2024

Distribution: Public

Original: English

FOR: REVIEW

Action: The Executive Board is invited to review the country strategic opportunities programme 2025 to 2030 for the People's Republic of China.

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Executive summary

A. Introduction

1. This country strategy has been developed by IFAD in close consultation with the Government of the People's Republic of China to guide IFAD's operations and partnerships in the country for the period 2025 to 2030. China crossed the current Graduation Discussion Income (GDI) threshold of US\$7,445 (2021) in 2014 and reported a gross national income (GNI) per capita of US\$13,400 in 2023. IFAD and the Government therefore discussed and jointly assessed the country's needs in terms of its access to external capital for development at reasonable terms, and progress in establishing and sustaining key rural institutions and policies that foster sustainable and equitable socioeconomic rural development.
2. Despite the profound transformation in the agriculture sector over the past 40 years, China's agricultural production still rely extensively on smallholders. IFAD offers key advantages that can drive sustainable transformation in the country by linking smallholder organizations with the private sector. The distinguishing feature of this country strategic opportunities programme (COSOP) compared to previous strategies is its stronger push to integrate smallholders into private sector-led value chains, particularly digitally enabled value chains which are a growing strength of the private sector. It will focus on supporting China's contribution to global public goods by promoting the greening of agriculture and rural development and ensuring that smallholders do not fall back into poverty or are left behind. The IFAD strategy is to support the development of institutional capacity and innovative debt and equity investment models for rural revitalization. This will, in turn, facilitate the sharing of valuable experience, knowledge and innovation with other countries in the South.

B. Overall goal and strategic objectives

3. **The strategic goal** of the country programme will be to contribute to **rural revitalization through investments in inclusive and sustainable food and agriculture systems and through building institutional capacity and a supportive policy framework for smallholders**. This goal will be achieved through three strategic objectives (SOs):
 - (i) **SO1: Support more innovative, competitive and resilient rural livelihood options, and enhance rural institutions and governance to address the persistent urban-rural development gap.** IFAD-financed programmes will promote a value chain and cooperative development approach to address the issues of scale, reduce transaction costs and add value to smallholder produce through collaboration with rural enterprises. The China programme will adopt diversified models of engagement focusing on technological innovation, use of information and communications technologies for development (ICT4D) initiatives and partnership with rural industries. This strategic objective is expected to lead to the following outcomes:
 - Outcome 1.1: Improved productivity and resource use efficiency for strategic commodities predominantly grown and marketed by smallholders.
 - Outcome 1.2: Increased value addition, enhanced food quality and creation of inclusive off-farm livelihood opportunities.
 - (ii) **SO2: Promote environment and climate-smart practices to strengthen rural ecological conservation and restoration, and build climate resilience.**
 - Outcome 2.1: Enhanced high-quality green development through support to agricultural input value chains and sustainable natural resource management and enhanced biodiversity.

- Outcome 2.2: Reduced greenhouse gas emissions in line with China's commitment to strive to peak carbon dioxide emissions before 2030.
- (iii) **SO3: Leverage China's expertise, knowledge and innovation for promoting environmentally friendly practices for agriculture and food systems transformation at regional and global level.**
- Outcome 3.1: A strengthened South-South and Triangular platform to facilitate sharing of the lessons from China's sustainable rural transformation and poverty reduction with regional and global partners.
 - Outcome 3.2: Enhanced collaboration between China and the countries in the South in demonstrating transformative approaches to poverty alleviation and rural revitalization.

C. Target group and targeting strategy

4. Geographically, IFAD will focus on the western and central provinces, which have also been the focus of the country programme in the past. There is considerable imbalance, with some counties registering lower GDI than the country average. Based on nationally driven criteria, the pipeline of investments will be identified to continue IFAD's focus on smallholders and vulnerable groups, and mainstream gender and youth in its investments.

D. Financing instruments, investment volume and sources

5. Current planning is based on the volume of IFAD funds from the Thirteenth and Fourteenth Replenishments of IFAD's Resources (IFAD13 and IFAD14) cycles of around US\$340 million (US\$170 million/cycle) under the Borrowed Resource Access Mechanism (BRAM). The proposed financing will be determined subject to internal procedures and subsequent to Executive Board approval, to be confirmed at the beginning of each cycle.

E. COSOP implementation

6. The IFAD China office will be responsible for the co-management of the programme with the Government, with technical backstopping from the regional office and headquarters. A results management framework will constitute the main tool for monitoring the country programme. IFAD and the Government will gradually transition from a project-based implementation approach to a programmatic approach, supplemented by intensified non-lending activities such as the sharing of knowledge, innovations and other global experiences.

People's Republic of China

Country strategic opportunities programme

2025–2030

I. Country context

A. Socioeconomic setting

1. **Political stability in the People's Republic of China has enabled long-term development planning and fuelled economic development.** Since the country opened up to economic reforms in 1978, its growth rate has averaged about 9 per cent per year.¹ China is now an upper-middle-income country.
2. **The structure of the economy has changed significantly in the last 20 years.** Rising income, urbanization, the population pyramid and other dynamics have resulted in enormous change in demand and consumption patterns with significant effects on China's economic structure. Accompanied by rapid growth in demand for non-food products, the secondary and service sectors increased their share of GDP to 38 and 55 per cent respectively in 2023.²
3. **The agriculture sector is key for rural growth and employment generation.** The share of agriculture in GDP declined from about 35 per cent in 1970 to 7 per cent in 2023³ and the share of agricultural employment declined from 81⁴ to 24 per cent in 2021.⁵ However, the value of agricultural industries in China has continued to grow.
4. **The high rate of economic growth and rising off-farm employment has reduced rural poverty.**⁶ Although the country has eradicated extreme poverty, a significant number of people are in the low-income bracket. Challenges also remain in preventing individuals from falling back into poverty, and in reducing inequality and regional and urban-rural disparities.
5. **China's national levels of nutrition and general health have improved significantly in recent years.** The prevalence of child stunting has declined dramatically.⁷ Issues of undernutrition and overnutrition have not been fully resolved⁸ and the vulnerable segments of the population face nutritional deficiencies, especially in iron and other essential micronutrients. Several government policies and action programmes are in place to systematically address these remaining challenges.

¹ International Monetary Fund. May 2021.

² Distribution of the GDP across economic sectors in China from 2013 to 2023.

³ Ibid.

⁴ Changing Food Consumption Pattern and Demand for Agri-based Industrial Products in China: Institute for International Studies, Stanford University.

⁵ Employment in agriculture (percentage of total employment) (modelled International Labour Organization [ILO] estimate) - China.

⁶ China's agricultural reform grows bolder. September 2018.

⁷ Poverty, food insecurity and nutritional deprivation in rural China: Implications for children's literacy achievement. International Journal of Educational Development Volume 34, January 2014, Pages 90-97, Reference from National Health Commission on same conclusion <http://www.nhc.gov.cn/fys/s7901/201905/bbd8e2134a7e47958c5c9ef032e1dfa2.shtml>.

⁸ Burden of Nutritional Deficiencies in China: Findings from the Global Burden of Disease Study 2019. Liyuan Han et al. Nutrients. 2022 Oct; 14(19): 3919.

Table 1
Country indicators

Indicator	Data	Year of reference
GNI per capita, current US\$	13,400	2023
GDP growth (%)	5.2%	2023
Debt servicing ratio	7.6 ^a	2023
Debt to GDP ratio	56.1% ^b	2023
Inflation rate (%)	0.2%	2023
Population size (million)	1,409.67	2023
Population, female (million)	689.35	2023
Youth population (%) ^c	10.61%	2023
Surveyed “urban unemployment” rate	5.2% (average)	2023
Fragility index	65.1	2023
INFORM Risk Index	3.7, medium, stable	2023

Note: See appendix III for data sources.

^a <https://www.safe.gov.cn/en/2024/0329/2189.html>, SAFE Releases China's External Debt Data at the end of 2023.

^b https://www.undp.org/sites/g/files/zskgke326/files/2024-03/china_in_numbers_2023-final.pdf.

^c Persons between the ages of 15–24 years as per the United Nations definition. See also the China Statistical Yearbook 2023: www.stats.gov.cn/sj/ndsj/2023/indexeh.htm.

B. Assessment framework

6. **China crossed the current Graduation Discussion Income (GDI) threshold of US\$7,445⁹ (2021) in 2014¹⁰ and reported a gross national income (GNI) per capita of US\$13,400 in 2023.¹¹** IFAD and the Government have therefore discussed and jointly assessed the country’s needs in terms of its access to external credit markets at reasonable terms, progress in establishing and sustaining key rural institutions and policies that foster sustainable and equitable socioeconomic rural development, and progress towards the Sustainable Development Goals (SDGs).¹² Table 2 presents the indicators that will be tracked during the country strategic opportunities programme (COSOP) implementation to show the country's progress, with targets established for both midterm and completion. The table indicates areas needing further support, such as improving regional public goods for innovative agriculture, strengthening private-sector-led development and key institutions, enhancing knowledge exchange through South-South and Triangular Cooperation (SSTC), consolidating poverty gains and strengthening women’s empowerment. Appendix III provides further details, along with a projected scenario for China’s income status.

⁹ Assessed for 2021 by IFAD which uses the World Bank’s GNI per capita estimates based on the Atlas method.

¹⁰ Using the Atlas method in current United States dollar terms.

¹¹ The World Bank, 2022.

¹² The IFAD rural sector performance assessment (RSPA) index will be used for tracking purposes.

Table 2
Assessment criteria, benchmarks and targets

		<i>Approval</i>	<i>COSOP results review</i>	<i>COSOP completion report</i>
<i>Assessment criteria</i>	<i>Indicator</i>	<i>At design</i>	<i>Midterm benchmark</i>	<i>Completion target</i>
		2024	2027	2030
Access to international capital markets				
	Credit rating	A+	To be tracked	To be tracked
Institutions/policies for sustainable rural development				
Rural sector performance assessment (RSPA)	Overall RSPA rating	4.2 (2021)	4.5	5
	Policies/frameworks (1.1)	4.5 (2021)	4.7	5
	Environmental assessments policies and grievance mechanisms (3.1)	4.7 (2021)	4.8	5
	National climate change policies (3.2)	4.1 (2021)	4.5	5
	Access/use rural financial services (4.1)	4.3 (2021)	4.6	5
	Regulatory Quality Index	0.4 (2022)	0.8	1.0
Progress towards SDGs				
SDG 1 No poverty	Poverty headcount ratio	24.7% (2020)	12.1%	10%
SDG 2 Zero hunger	Agriculture Orientation Index	1.2 (2021)	1.4	1.6
SDG 5 Gender equality	Gender Development Index	0.962% (2022)	0.970	0.998
	Proportion of time spent on unpaid domestic chores and care work, female	14.6% (2023)	14.1%	13.6%
SDG 10 Inequality	Income share of lowest 20%	7.2% (2020)	8%	9%

See appendix III for data sources.

C. Food system, agricultural and rural sector agenda

Overview

7. **Food systems are a key pillar of the economy in China and a critical driver of growth, income and employment.** Food systems make an important contribution to national GDP and employment. Farmers' productivity is increasing as a result of securing land use rights, decreasing market regulations, expanding international trade in food¹³ and the growing role of e-commerce and logistics technologies.¹⁴
8. **Despite its domestic production, China has been a net importer of agricultural products since 2004.** Changing diet patterns have driven up

¹³ Agricultural policy reform and food security in China. Zhu Ling is a Professor at the Chinese Academy of Social Sciences. 2021.

¹⁴ Transforming Chinese Food Systems for Both Human and Planetary Health, Shenggen Fan, Jikun Huang, Fusuo Zhang, Wenhua Zhao, Hongyuan Song, Fengying Nie, Yu Sheng, Jinxia Wang, Jieying Bi & Wenfeng Cong. January, 2023.

imports of edible oils, sugar, meat and processed foods.¹⁵ Between 2000 and 2019, the country's food self-sufficiency ratio decreased from 96.7 to 76.9 per cent.¹⁶

9. **Consumer choice is growing as incomes rise and access to imports expands.** A growing number of private sector players – cooperatives, small enterprises, public and private sector rural finance institutions – are providing key processing, logistics and financial services along the various supply chains. Much greater effort is still required to strengthen these and forge stronger market links, including using information and communications technologies.
 10. **Chinese food systems are characterized by a wide range of smallholder producers and long supply chains.** Smallholders dominate the farming sector. They account for 90 per cent of the agricultural workforce and cultivate over 70 per cent of arable land in China.¹⁷ Upstream, farmers in China are becoming increasingly commercialized and greater support is being provided through public incentives.
 11. **There is a diffused community of small processors, small traders, brokers, agents and small enterprises** who use their networks to aggregate, add value and sell to larger processors or wholesale markets or directly to produce markets and supermarkets. With increased consumer awareness about food quality, safety and standardization, there is an increasing trend of engaging with downstream enterprises to reduce transaction costs and realize economies of scale.
- Challenges and opportunities**
12. **Progress in achieving SDGs.** The eradication of extreme poverty in 2020 marked a significant milestone in China's journey towards economic and social development, aligning closely with the targets set forth by the SDGs. Despite the success of agricultural reforms, challenges persist.
 13. **Agricultural production has been intensive and has therefore imposed increasing pressure on resources and the environment.** Environmental stresses include soil erosion, salinization and soil acidification, loss of cultivated land and decline in land quality.¹⁸ In addition, climate change and extreme weather events have adversely impacted food systems.¹⁹ There are opportunities to adopt resource efficiency and climate-smart practices, areas in which IFAD has considerable experience.
 14. **Smallholders in rural areas have been at a major disadvantage** in accessing inclusive agricultural value chains because of lower volumes, difficulties in reaching markets and inability to meet quality standards.²⁰ In China, IFAD's niche is to support development a green, profitable and inclusive agriculture sector.
 15. **Private enterprises that depend on the agriculture sector face numerous barriers** such as insufficient investment or working capital. Working with county governments, IFAD can build a supportive environment by providing basic infrastructure facilities through agro-industrial parks and a range of other incentives.
 16. **China's food systems will face increasing challenges due to constraints such as natural resource concerns, climate change, inadequate food safety and possible external shocks.** China is recognized as vulnerable to the impact of

¹⁵ Comprehensively improve oil production capacity (Economic Daily, April 2022).

¹⁶ <https://www.cciee.org.cn/detail.aspx?newsid=19600>.

¹⁷ China's third agricultural census conducted in 2016, https://www.gov.cn/xinwen/2019-03/02/content_5369853.htm.

¹⁸ China's rapid economic growth and its implications for agriculture and food security in China and the rest of the world Jikun Huang and Jun Yang et al. The University of California, Davis.

¹⁹ Ting MENG, Shenggen Fan. Transforming Chinese Food and Agriculture: A Systems Perspective. *Front. Agr. Sci. Eng.*, 2023, 10(1) : 4–15 <https://doi.org/10.15302/J-FASE-2023493>. <https://journal.hep.com.cn/fase/EN/10.15302/J-FASE-2023493>.

²⁰ Unlocking the potential of smallholder farmers. China Daily Global. March, 2023.

climate change. IFAD has gained experience in addressing these challenges in a range of country contexts.

17. **Inclusion of the food system in the overall national plan is important to enable the country to achieve its greenhouse gas (GHG) emissions mitigation goal.** IFAD projects help to build capacity for emission reduction and carbon sequestration in the agriculture sector. In China, the agriculture sector accounted for around 7 per cent of the country's total GHG emissions in 2014.²¹

Government policy and institutional framework
18. **The institutional framework.** There is strong commitment at all levels in China to establish innovative partnerships between the public and the private sector to support the Rural Revitalization Strategy.
19. **Key sectoral policies and plans: The Outline of the 14th Five-Year Plan for Economic and Social Development (2021–2025) and Long-Range Objectives through the Year 2035 of the People's Republic of China.** This plan envisages that by 2035 China will basically realize socialist modernization. China is rebalancing its export-led economic structure to transition to one in which domestic consumption and investment contribute to economic growth alongside external trade. IFAD can add to this by supporting institutional innovation, technological changes, market reform and infrastructure development²² by addressing the challenges faced by small-scale producers and promoting opportunities to integrate them into the development process.
20. **The Rural Revitalization Strategy** is aimed at rebalancing the existing divide between urban and rural areas. Key aspects include the promotion of inclusive and thriving agricultural industrialization, ecological and environmental protection, comprehensive rural infrastructure development and enhanced living conditions. The IFAD country programme will capitalize on these opportunities for low-income rural households.
21. **China's green development.** China is implementing the National Sustainable Agricultural Development Plan (2015–2030), which serves as the framework for green and sustainable development of agriculture. The State Council Information Office also issued a white paper in January 2023, outlining the concept of innovation in green, low-carbon technologies to provide high-quality ecological products.²³
22. **China's updated Nationally Determined Contribution (NDC).** Climate change has been incorporated into the national economic and social development plans.²⁴ The country is striving to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. The next generation of IFAD projects will be predominantly green and will contribute to achieving these dual goals.
23. China has formulated a **National Nutrition Plan of Action (2017–2030)**, which specifies multi-sectoral transdisciplinary measures to improve the nutritional status of the population. The plan identifies intervention measures for the more vulnerable segments of the population. At the project level, IFAD will contribute to strengthening the implementation of the plan where appropriate.

II. IFAD engagement: lessons learned

A. Results achieved during the previous COSOP

24. A COSOP completion review (2023) and a country strategy and programme evaluation (CSPE) issued in 2023 outlined some key results and lessons. The country programme made effective contributions to increasing smallholders'

²¹ Report on Low Carbon Agriculture and Rural Development in China (2024).

²² China's Agriculture: Achievements and Challenges Colin A. Carter.

²³ China's Green Development in the New Era. White Paper. January 2023.

²⁴ China's Achievements, New Goals and New Measures for Nationally Determined Contributions.

capacity and opportunities to access markets and had a positive impact on poverty reduction and gender equality. The focus on small-scale rural infrastructure also stimulated increased government financing to marginalized areas. However, achievements were mixed with regard to agribusiness development and little attention was paid to increasing access to rural finance. The COSOP also showed some achievements in crop diversification and sustainable land management. Overall, IFAD has a strong record in the country in terms of working with smallholders.

B. Lessons from the previous COSOP and other sources

25. Some of the lessons emerging from IFAD's experience in China indicate that a supportive policy framework is critical for strengthening local institutions, as demonstrated by the promulgation of the farmer cooperative law in 2006 and its revision in 2017. Introducing new institutional approaches requires strong support for learning and capacity-building. Strategic national and international partnerships are required to scale up innovation and knowledge in support of the Rural Revitalization Strategy internally, and China's global engagement externally.
26. While IFAD's main agenda of poverty alleviation has been largely realized, the CSPE's recommendations task IFAD to position itself to assist the country in ensuring that the pursuit of high-quality green development supports smallholders in low-income areas so as to prevent them from slipping back into poverty. It also points to IFAD's continuing role in strengthening farmers' organizations to enable them to become viable and capable of scaling up and engaging with the private sector more effectively, using an inclusive value chain approach. The CSPE emphasized the importance of integrating lessons from SSTC and building stronger linkages with the country programme.
27. The concepts and activities outlined in the strategic goal and the three strategic objectives of the COSOP respond to these key lessons and recommendations.

III. Strategy for transformational country programmes

A. COSOP theory of change

28. The COSOP's theory of change (ToC) recognizes that despite the profound transformation in the agriculture sector in China over the past 40 years, agricultural production and operations still rely on smallholders. They are involved in the production of food and high-value crops and can increase productivity by adopting improved and more adaptive practices, strengthening their organizations, aggregating their produce, and integrating better with markets through stronger rural institutions and better links with the private sector.
29. The distinguishing feature of this COSOP compared to previous strategies is its stronger push to integrate smallholders into private sector-led value chains, particularly digitally enabled value chains which are a growing strength of the private sector. It will focus on supporting China's contribution to global public goods by promoting the greening of agriculture and rural development and ensuring that smallholders do not fall back into poverty or are left behind.
30. The COSOP is premised on the reasoning that the continued engagement of IFAD with China will help in the development of institutional capacity and a supportive policy environment that will encourage innovative debt and equity investments by county governments and the private sector for rural revitalization:

IF policies and institutions are strengthened and smallholder farmers are made aware of improved climate adaptive practices and integrated with productive value chains through links with private sector, and **IF** systems for monitoring and tracking carbon sequestration are put in place and relative experience shared globally, **THEN** the country will be able to revitalize the rural economy, support and build resilience of smallholder farmers, reduce its

GHG emissions and contribute to sustainable natural resource management and global public goods **BECAUSE** of improved productivity, incomes and employment, institutional and financial arrangements, sustainable management of natural resources, and share its experience with other developing countries.

In addition, the focus on improved capacity for climate adaptation and mitigation will help put China on a growth trajectory that will contribute to meeting its commitments regarding GHG mitigation and sharing its experience with others.

31. There are several key pathways that IFAD can pursue in China. The first development pathway is that of strengthening rural institutions, policies and services for smallholder producers and rural enterprises in disadvantaged areas, enabling them to participate in value chains and engage with the private sector. IFAD has a role to strengthen innovative arrangements for increasing efficiency in post-production management and processing of agricultural produce through access to funds and infrastructure. The linking of smallholder organizations with the private sector will be mutually beneficial as it provides a reliable source of produce to enterprises and ready markets to smallholders. This will also increase incomes and employment along the value chain and diversify rural livelihoods.
32. The second development pathway focuses on the promotion of natural resource management for environmental sustainability and climate-smart agriculture, thereby leading to enhanced carbon sequestration and reduced GHG emissions while ensuring attainment of the food security objective. This would contribute to China's goal of becoming a carbon neutral economy and achieving its NDC targets.
33. The third development pathway would leverage China's capacity to scale up poverty reduction experiences and models through SSTC-centred knowledge management. China plays a critical role in sharing experience and knowledge on poverty reduction and food production and other global public goods with other countries of the South.

B. Overall goal and strategic objectives

34. The COSOP is formulated in close alignment with the Government's strategies and IFAD's corporate mandate, pursuing modern development, advancing common prosperity and contributing to the achievement of the SDGs.
35. The **strategic goal** of the country programme will be focused on the residual development issues given that the country is on a sound economic and social development trajectory. The COSOP will contribute to **rural revitalization through investments in inclusive and sustainable food and agriculture systems and through building institutional capacity and a supportive policy framework for smallholders**. China has both the opportunity and the ambition to share its development experience and successes with other countries in the South, and make a significant contribution to their growth. Thus, the country strategy will also strengthen mechanisms for increased South-South Cooperation. IFAD's goal in China is aligned with the Government's development agenda and with IFAD's corporate strategic objectives of increasing productivity, market participation and environmental sustainability and climate resilience.²⁵ To achieve its overarching goal, the COSOP will have three SOs and expects to achieve the results outlined in the results management framework.
36. **SO1: Support more innovative, competitive and resilient rural livelihood options, and enhance rural institutions and governance to address the persistent urban-rural development gap.** IFAD-financed programmes will continue to promote a value chain and cooperative development approach to address the issues of scale and value addition for smallholders. Diversified models

²⁵ IFAD Strategic Framework 2016–2025.

of engagement focusing on technological innovation and use of information and communications technologies for development (ICT4D) initiatives will be adopted. This SO is expected to lead to the following outcomes:

- **Outcome 1.1: Improved productivity and resource use efficiency for strategic commodities predominantly grown and marketed by smallholders.** The expected outputs will include strengthened inclusive farmers' organizations, productive infrastructure, and women and men trained to use improved and sustainable production techniques. Where relevant awareness-raising on specific nutritional issues faced by vulnerable segments of the population will be enhanced.
 - **Outcome 1.2: Increased value addition, enhanced food quality and creation of inclusive off-farm livelihood opportunities.** The country programme will facilitate private enterprises' access to finance, infrastructure, logistics and cold chain, and support agro-industrial parks in collaboration with provincial governments while also promoting the use of ICT4D. The expected outputs will include linking private sector small and medium-sized enterprises with smallholder producers, enhancing processing capacity and meeting quality standards. Additionally, young men and women will be trained for off-farm livelihood opportunities.
37. **SO2: Promote environment and climate-smart practices to strengthen rural ecological conservation and restoration, and build climate resilience.**
- **Outcome 2.1: Enhanced high-quality green development through support to agricultural input value chains and sustainable natural resource management and enhanced biodiversity.** The expected outputs will include women and men trained in climate adaptive and resilient production techniques; reduction in the use of agrochemicals and fertilizers; and increased application of green technologies.
 - **Outcome 2.2: Reduced greenhouse gas emissions in line with China's commitment to strive to peak carbon dioxide emissions before 2030.** This will be undertaken through investments in sustainably managed farm and forest areas. It will be tracked through the development of a system of carbon monitoring and accounting.
38. **SO3: Leverage China's expertise, knowledge and innovation for promoting environmentally friendly practices for agriculture and food systems transformation at regional and global level.**
- **Outcome 3.1: A strengthened SSTC platform to facilitate sharing of the lessons from China's sustainable rural transformation and poverty reduction with regional and global partners.** The key output will be a reorganized and strengthened SSTC regional centre for Asia in Beijing. The centre will position itself strategically to build partnerships and deliver an effective SSTC programme of exchange through training, technical assistance and knowledge management for learning, replication and scaling up in countries in the South.
 - **Outcome 3.2: Enhanced collaboration between China and the countries in the South in demonstrating transformative approaches to poverty alleviation and rural revitalization.** The key outputs will be the number of countries assisted, the number of thematic areas of collaboration, the value of financing generated, and the outreach in terms of the number of themes covered and rural households reached.

Sustainability

39. In order to ensure attainment of the overall goal of **rural revitalization** is addressed, the COSOP will rely on: (i) building smallholders' institutional capacity

for adaptation and strengthening their organizations and rural enterprises; (ii) putting in place mutually beneficial marketing arrangements between various types of agribusiness entities including state-owned enterprises, cooperatives and the private sector; (iii) working with the Government in incentivizing the shift to the provision of public debt and private equity financing to scale up investments in the selected value chains; and (iv) ensuring environmentally sustainable and market-oriented investments with well-defined operational arrangements.

Scaling up

40. To ensure that innovative approaches for rural revitalization and sustainable food and agriculture systems are scaled up for enhanced impact, the COSOP will promote: (i) public-private-producer collaboration models for strategic value chains; (ii) replication of rural financial institutions as a local level investment vehicle across the portfolio of IFAD-financed projects; (iii) dissemination and replication of agronomic techniques being tested under the Gansu Rural Revitalization Demonstration Project (G2RDP) for crop production and diversification; and (iv) strengthening of mechanisms for more effective SSTC.
41. Recognizing the importance of a supportive policy environment and the need for robust institutions for sustainable development, the table below describes some of the key institutional constraints and policy challenges related to the SOs and how these will be addressed.

Table 3

Key development priorities, underlying institutions and policy reform areas

<i>Key development priority (SO)</i>	<i>Underlying institutions</i>	<i>Policy reform/challenges</i>	<i>Proposed interventions (lending, non-lending)</i>
SO1: Support more innovative, competitive and resilient rural livelihood options, and enhance rural institutions and governance to address the persistent urban-rural development gap.	Smallholders and their organizations Private sector enterprises Local government line agencies and development institutions	A supportive policy framework which: <ul style="list-style-type: none"> • Provides incentives to smallholders for enhanced production and aggregation of their produce • Encourages private sector investment in rural areas 	Access to funds for strengthening smallholders through relevant investment platform of county governments Documenting lessons on effective strategies for economic development and sustainable management of resources
SO2: Promote environment and climate-smart practices to strengthen rural ecological conservation and restoration, and build climate resilience.	Smallholders and their organizations Private sector enterprises Local government line agencies and development institutions	<ul style="list-style-type: none"> • Promotes sustainable use of natural resources 	Documenting lessons on effective strategies for sustainable management of resources Investment in strategies for enhanced adaptation and mitigation
SO3: Leverage China's expertise, knowledge and innovation for promoting environmentally friendly practices for agriculture and food systems transformation at regional and global level.	SSTC Center for International Knowledge on Development (CIKD) China International Development Cooperation Agency (CIDCA) Research institutions and universities United Nations agencies and Development Partners	<ul style="list-style-type: none"> • Support a policy framework that supports SSTC 	Strengthening institutional arrangements for SSTC Increased outreach and support on the ground

C. Target group and targeting strategy

42. The focus will continue to be on rural areas and on efforts to reduce the disparity between rural and urban areas. Geographically, the western and central provinces

will be targeted. Although China declared the eradication of extreme poverty in the country in 2020,²⁶ significant imbalance remains, with some counties having a GNI per capita below the national average. IFAD will continue to focus on these counties to consolidate poverty alleviation achievements and address any residual vulnerabilities. To enhance the impact of its investments, IFAD will customize its selection criteria to maintain the focus on smallholder farmers and vulnerable groups, and mainstream gender and youth into its projects.

IV. IFAD interventions

A. Financing instruments

43. During the COSOP period, IFAD resources from three financing cycles (IFAD12 to IFAD14) will be utilized. Additionally, non-IFAD financing such as supplementary funds and trust fund instruments, as well as other forms of cooperation subject to cost recovery (e.g. results-based lending and reimbursable technical assistance) may be explored subject to county preferences. The country programme will also leverage funds from government budgets, rural finance institutions and the private sector for both debt and equity investments.

B. Country-level policy engagement

44. China has been highly proactive in pursuing a supportive policy reform agenda that has significantly transformed the country. It continues to promote inclusive rural revitalization and sustainable development, guided by evidence-based analytics and national strategic policy directions. Both the Government and IFAD anticipate that their partnership will result in policy based on evidence-based analytics from IFAD operations and broader sector policy discussions. This will be achieved by enhancing in-country partnerships and working closely with local governments and research institutions to explore learning and specific measures derived from the country programme. These efforts aim to further support the viability, inclusivity, sustainability and resilience of smallholders in the rural revitalization context.

C. Institution building

45. Institutional capacity-building will remain a core component of all projects. Efforts will focus on strengthening the capacity of smallholders, related institutions and government agencies to enhance smallholder farmers' productivity and inclusion into green development and sustainable food system transformation, and establish effective partnerships with the private sector, financial institutions and other public sector agencies.

D. Innovation

46. Several innovative elements are anticipated in this COSOP, including a demand-driven approach using debt and equity instruments with local government participation, structuring partnerships between smallholders and the private sector, promoting the adoption of advanced processing techniques across various value chains, and supporting the carbon-labelling of Chinese products. Additionally, the COSOP will leverage China's innovations in agricultural input value chains and the protection of seed and crop germplasm resources and livestock gene banks.

E. Information and communications technologies for development

47. Over the past three decades, China's agriculture sector has undergone a significant transformation and the country has emerged as the world's largest e-commerce market, with rapid growth of digital financial services.²⁷ The country programme

²⁶ China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2023), Center for International Knowledge on Development September 2023.

²⁷ Growing with Pain: Digital Financial Inclusion in China. Chinese Academy of Financial Inclusion (CAFI). 2018.

will leverage available ICT4D opportunities to further connect smallholders with e-commerce and agricultural ICT technologies.

F. Knowledge management

48. The country programme will work to create strong links between IFAD's lending and non-lending operations by documenting and sharing the knowledge generated through its projects by partnering with local research institutions. Knowledge management products will be used to inform and contribute to policy discussions and SSTC.

G. Strategic partnerships and South-South and Triangular Cooperation

Government and civil society

49. The Ministry of Finance will be the main interlocutor for the country programme in China. IFAD will also seek to strengthen collaboration with the National Development and Reform Commission. At the implementation level, IFAD will continue to partner with relevant provincial governments and build partnerships with resourceful local institutions and civil society organizations, such as the Women's Federation and the Youth League.

Development partners

50. IFAD will continue to coordinate its country programme closely with other development partners such as the United Nations system, World Bank Group, Asian Development Bank and Asian Infrastructure Investment Bank. The goal will be to identify opportunities for cofinancing and scaling up of innovative initiatives.

Private sector

51. IFAD's engagement with the private sector to empower smallholder farmers is one of the three pillars of IFAD13. The country programme is already actively involved in value chain development through public-private-producer partnerships. These arrangements will be further strengthened and expanded for the benefit of IFAD's target group.

South-South and Triangular Cooperation

52. IFAD will underline its lending cooperation with China by strengthening the knowledge cooperation around SSTC. It will take advantage of the country office, which will serve as its SSTC regional centre for Asia, to support knowledge-sharing, capacity-building and other SSTC activities to transfer the development results of IFAD-financed projects in China to IFAD's broader portfolio.
53. The IFAD country programme has identified thematic areas for SSTC, including: (i) the successful poverty alleviation strategies; (ii) transformation of agriculture and food systems; (iii) replication, where relevant, of the agro-industrial park experience of China; and (iv) development of the bamboo value chain for improved livelihoods and carbon emission reduction.
54. Specifically, knowledge generation will be integrated into design and implementation of IFAD's operations in China during the COSOP period. This will ensure that the innovations and technologies generated from the IFAD-financed projects on these thematic areas can be systematically captured and shared with IFAD Member States and the broader portfolio.

V. COSOP implementation

A. Investment volume and sources

55. The country portfolio consists of two ongoing projects and two new ones designed under the IFAD12 cycle that will be implemented under this COSOP. Current planning involves allocating approximately US\$340 million (US\$170 million/cycle) under the Borrowed Resource Access Mechanism (BRAM) for additional projects

during the IFAD13 and IFAD14 cycles. The proposed financing under IFAD13 and IFAD14 will be determined subject to internal procedures and approvals to be confirmed before each cycle.

56. IFAD and the Government will gradually transition from a project-based implementation approach to a programmatic approach, supplemented by intensified non-lending activities such as adopting alternative financial instruments; generating, sharing, using and brokering substantive knowledge; and sharing innovations and other global experiences through SSTC.

Table 4

IFAD financing and cofinancing of ongoing and planned projects

(Millions of United States dollars)

	IFAD financing	Source (PBAS, ^d BRAM)	Selectivity criteria (COSOP)*	Cofinancing		Cofinancing ratio
				Domestic	International	
Ongoing						
H2RDP ^a	60.2	PBAS	I, SP, KM	113.07	None	
Y2RDP ^b	74.78	PBAS	I, SP, KM	159.73	None	
Planned						
HuSFID ^c	80	BRAM	I, GPG, SP, KM	155.2	None	
G2RDP	88	BRAM	I, GPG, SP, KM	140.0	None	
IFAD13	170	BRAM	I, GPG, SP, KM	TBC	TBC	
IFAD14	170	BRAM	I, GPG, SP, KM	TBC	TBC	
Total	642.98	PBAS/ BRAM				1:1.5

* I: policies and institutions for sustainable rural development; GPG: regional or global public goods; SP: strategic piloting of innovative approaches; KM: knowledge management for scaling.

^a Hunan Rural Revitalization Demonstration Project.

^b Yunnan Rural Revitalization Demonstration Project.

^c Hunan Specialized Forestry Industry Development Project.

^d performance-based allocation system.

B. Resources for additional activities

57. In addition to IFAD's current concessional resources, IFAD will explore new cost recovery instruments to address China's specific needs such as reimbursable technical assistance. IFAD will work with the Government and the private sector to gear up the knowledge management policies and investment partnership/brokering services needed to facilitate China in scaling up impact.

C. Transparency

58. The country programme will adhere to the strong systems that the Government and IFAD have in place for financial management, audit and reporting. All design documents, supervision reports and project completion and evaluation reports will be publicly disclosed, except for those that are mutually agreed upon as non-disclosable.

D. Country programme management

59. The IFAD China office will manage the programme, with technical backstopping provided by the regional office and headquarters.

E. Monitoring and evaluation

60. The results management framework will constitute the main tool for monitoring the country programme. Each project will have its own monitoring and evaluation (M&E) system to assess performance. Annual reviews of the country programme will be conducted, with results consolidated at midterm in 2027 and at completion in 2030 to assess the overall COSOP performance. Digital technology such as geospatial and remote sensing in the M&E system will be deployed.

VI. Target group engagement

61. Beneficiary engagement will be facilitated through an effective communication strategy that disseminates project activities and informs potential beneficiaries about the criteria for participation in each project.

VII. Risk management

62. China has recently shifted its economic growth model from an overreliance on fixed asset investment and exports to a more balanced growth approach. Overall risks in areas such as political commitment, governance, policy alignment and implementation, institutional capacity and public procurement have been assessed as low to moderate.

Results management framework

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's Strategic objectives	Key COSOP results			
			Strategic Objectives	Lending and non-lending activities during COSOP period	Outcome indicators	Output indicators ²⁸
<p>The COSOP aligns with:</p> <ul style="list-style-type: none"> • The National Economic and Social Development and Vision 2035 of China, which envisages the creation of a "community of shared prosperity"; • The Rural Revitalization Strategy, aiming at: achieving basic modernization of agriculture and rural areas; all Chinese people have equal access to basic public services, urban and rural integration improved; • 14th Five Year Plan for National economic and social development with various targets and indicators; • No. 1 government policy each year, giving spotlight and policy guidance to agricultural and rural development 	<p>SDG Outcomes</p> <p>1 (No poverty); 2 (Zero Hunger); 3 (Good Health & wellbeing); 5 (Gender equality); 6 (Ensure availability and sustainable management of water and sanitation for all) 8 (Decent work & Economic Growth); 10 (reduced Inequalities); 11 Sustainable cities and communities 12 (Responsible consumption and production) 13 (Climate Action); and 17 (partnership for global development)</p> <p>UNSDCF Outcomes Outcome 1: Relative poverty and rural-</p>	<p>SO1: Improve poor rural people's productive capacities – their access to natural resources and technologies, financial services</p> <p>SO2: Increase poor rural people's benefits from market participation, through diversified rural enterprises/producers' organizations and employment opportunities, improved investment environment, infrastructure.</p>	<p>SO1: Support more innovative, competitive and resilient rural livelihood options, and enhance rural institutions and governance to address the persistent urban-rural development gap.</p>	<p>Lending/investment activities:</p> <p>Ongoing: Y2RDP, H2RDP</p> <p>Forthcoming: HuSFID, G2RDP</p> <p>Indicative: Two projects during each of the two PBAS cycles (2025-27; 2028-30) on inclusive agribusiness focused rural revitalization</p> <p>Non-lending/non-project activities - CLPE - Partnerships - KM - SSTC</p>	<p>1.2.2 Households reporting adoption of new/improved inputs, technologies or practices -320,000</p> <p>2.2.1 Beneficiaries with new jobs/employment opportunities - 20,000 jobs</p> <p>2.2.2 Supported rural based enterprises reporting an increase in profit - 80%</p> <p>2.2.3 Rural producers' organization engaged in formal partnerships/agreements or contracts with public or private entities - 600</p> <p>2.2.4 Supported rural producers' organizations reporting new or improved serviced provided by their organization - 640</p> <p>2.2.6 Households reporting improved physical access to markets, processing and storage facilities; - 90% of all targeted HHs based on surveys</p>	<p>CI 1 - Persons receiving services promoted or supported by projects - 400,000 Families - 300,000 Males - 300,000 Females - 180,000 Young - 20% Ethnic minorities - 10% People with Disability</p> <p>1.1.3 Rural producers accessing production inputs and/or technological packages</p> <p>1.1.4 Persons trained in production practices and/or technologies -300,000</p> <p>2.1.1 Rural enterprises accessing business development services - 200 rural enterprises</p> <p>2.1.3: Rural producers' organizations supported - 800 Rural organizations</p> <p>Rural organizations with women in leadership positions -240</p> <p>2.1.4 Supported rural producers that are members of a rural producers' organization -40,000</p>

²⁸ Output targets are estimated at this stage and will be updated when pipeline projects are defined.

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's Strategic objectives	Key COSOP results			
			Strategic Objectives	Lending and non-lending activities during COSOP period	Outcome indicators	Output indicators ²⁸
	<p>urban gaps reduced. More people especially vulnerable groups have more access to economic opportunities.</p> <p>Outcome 2: reduced social and gender inequality</p> <p>Outcome 3: people benefit from healthier and resilient environment</p> <p>Outcome 4: China transit to people centred, inclusive, low carbon and circular economy</p> <p>Outcome 6: China makes contribution to SDG attainment through SSTC</p>	<p>SO3: Strengthen environmental sustainability and climate resilience of poor rural people's economic activities, while strengthen institutional capacities of government and organizations of the rural poor to drive sustainable rural development while safeguarding global public goods.</p>				
			<p>SO2: Promoting environment and climate smart practices to strengthen rural ecological conservation, restoration, and build climate resilience.</p>		<p>3.2.1 - Tonnes of greenhouse gas emissions (CO2e) avoided and/or sequestered - 19,200 TCO2e</p> <p>3.2.2 - Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices - 320,000 Households</p>	<p>3.1.2 Person provided with climate information services -480,000 persons</p> <p>3.1.3 - Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions - 60,000 Persons</p> <p>3.1.4 Land brought under climate resilient management -48,000 hectares</p>
			<p>SO3: Leveraging China's expertise knowledge and innovation for promoting environmentally friendly practices for agriculture and food systems transformation at regional and global level.</p>		<p>Policy 3: Number of contributions made to policy makers on existing/new laws, regulations, policies or strategies proposed for approval, ratification or amendment - 4</p> <p>Percentage of SSTC partners reporting increase in mutual benefits derived from knowledge, resources and partnership - 90%</p> <p>By 2030, achieve full integration of SSTC as a fundamental pillar of the China-IFAD partnership - through COSOP reviews</p>	<p>Policy 1: Policy-relevant knowledge products completed - 10</p> <p>Policy 2: Functioning multi-stakeholder platform supported - 4</p> <p>Number of IFAD Projects in China and elsewhere directly contributed to/benefited from SSTC exchanges - 15</p> <p>Number of (country) partnership established with China for SSTC, with concrete engagement of financing/knowledge exchange - 8</p>

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's Strategic objectives	Key COSOP results			
			Strategic Objectives	Lending and non-lending activities during COSOP period	Outcome indicators	Output indicators ²⁸

- Assuming 100,000 HH per project,
- Assuming 150,000 direct beneficiaries each project
- 50% women, 30% youth, 20% ethnic minorities, 10% PWD
- Indicator 3.1.4: Assuming average land 1.5 mu per person, with 80% adopting climate resilient management
- Indicator 3.2.1: assuming 20% carbon reduction for 80% of 48K hectares of land (3.1.4) achieved, @ base emission level of 2.5 tonnes per hectare

Key files

Key file 1: Rural Poverty and agricultural sector issues (refers to chapter I A)

Priority areas	Affected groups	Main issues	Actions needed
Agriculture			
Increasing agricultural production and food security	Smallholding producers, agro-entities including farmer cooperatives in agricultural production, youth dedicated to agricultural production, rural women in agricultural sector	<ul style="list-style-type: none"> Basic farmland need to be secured at minimum amount of 120 million hectares to maintain food security, however there is constant pressure to prevent arable land from being declined due to destructive farming practices and repurposing farm land for non-agricultural purposes Generally low quality and productivity of farmland, especially in areas where relatively poor households and small scale producers concentrate; Abandoned land due to lack of labours caused by out-migration of rural laborers for off-farm employment and low profitability of agricultural production; Outdated agricultural infrastructure especially in remote or smallholder concentrated areas Limited irrigation due to uneven distribution of water geographically and/or seasonally; Food waste remains unchecked at as high as estimated 27% of the total food production; 	<ul style="list-style-type: none"> Sustain basic farmland protection strategy Improving farmland quality, increasing soil biomass content Implement sustainable agricultural ecosystem management plans Constructing or rehabilitating climate-resilient rural infrastructures, especially those relevant for communities in disadvantaged areas Further promote digital agriculture or agricultural informatization and mechanisation, suitable for smallholder farmers Support increased production, diversification and agricultural productivity through improved technology, inputs and extension services
Enhancing smallholder inclusive agricultural management system	Smallholders, all types of new economic entities, leading agro-enterprises	<ul style="list-style-type: none"> Small plots of land operated by individual households, making agricultural production less efficient. Smallholders constitute over 98% of agricultural operators and manage 70% of the cultivated land. Over 230 households operate at an average scale of 0.52 hectare Inadequate post-production value addition, quality marketing and branding Weak capacity of farmer cooperatives, lack of regulatory and support services to enhance farmer cooperatives. Elite capture practices in cooperatives Weak business management capacity of village collective economic organizations 	<ul style="list-style-type: none"> Proper manage land transfer to safeguard the interest of smallholders Promote production service providers such as ag-machinery cooperatives to serve smallholders Support interventions linking smallholders with agri-business entities in production and post production processes Promote activities that enhance governance and operational capacities of farmer cooperatives and village collective economic organizations Innovate and pilot management models for operation efficiency, inclusivity and conducive benefit sharing
Promoting agro-industry development		<ul style="list-style-type: none"> Limited access to financing by private agri-entities Limitation in businesses services to foster private sector development 	<ul style="list-style-type: none"> Support activities integrating “three industries” (production, processing and services) Promoting Agricultural Value Chain approach

			<ul style="list-style-type: none"> • Support activities enhancing post production and value addition • Support logistics and on/off line marketing; • Implement policies and interventions foster agriculture-based private sector development in rural areas • Assess appropriateness of service provision to poor rural producers and their organisations under the current system and promote ways to deepen service provision. • Support service provision to cooperative and other value chain actors with the objective to render whole value chains more productive and resilient. • Explore innovative business models for service provision, including knowledge transfer from other countries through SSTC
Containing agricultural pollution	Smallholder, fisher folk, herder, rural population	<ul style="list-style-type: none"> • Non-point pollution of agricultural sector is getting serious. China almost doubled its fertilizer and pesticides application in the past 30 years, due to its high-input and low efficiency pattern. This caused a decline in the stock of natural resources, over-exploitation of groundwater resources, soil sloughing and soil erosion, agricultural surface pollution, leading to serious ecological and environmental problems. 	<ul style="list-style-type: none"> • Collect, treat and recycle livestock and poultry manure. introducing integrated utilization of livestock and poultry waste • Reduce pesticides use and minimize the marketing and use of toxic pesticides • Review regulations and if necessary, improve regulatory measures and incentives to comply. • Capacitate relevant stakeholders to comply with regulations and oversee compliance. • Empower rural producers and population to understand health impacts and apply appropriate management practices (land and water management).
Enhancing food safety	Small producers and other value chain actors; consumers	<ul style="list-style-type: none"> • Improved economic status and health awareness prompting higher demand for quality and safer food, yet not always proper application of chemical inputs (fertiliser, pesticides) or even hormone and GMO technology has increase concerns around food safety of agricultural products. • Increasing demand for and hence production of animal, fishery and horticultural products requires continuous investment in appropriate services to ensure food safety for animal products. 	<ul style="list-style-type: none"> • Assess existing food safety regulation and small producers understanding and capacity to comply with it. • Promote awareness raising regarding appropriate handling of chemical inputs, as well as post-harvest handling. • Promote regulation that does not crowd out small producers/ poor producers while contributing to necessary documentation agricultural products' safety. • Analysis of existing animal health/disease control institutions and supporting services; scaling-up of best practices and piloting of new innovative ways to meet increasing need. • Enhance food quality declaration, reporting, checking, and accountability; • Expand traceability systems and incentivise market players

Managing climate impact		<ul style="list-style-type: none"> Increasing frequency and prolonged duration of drought in certain areas; Increasing frequency and severity of flood in certain concentrated areas Temperature variation causing low productivity or damage of crops; Increasing pest and disease occurrence due to warmer temperature Agricultural sector remains an important contributor to GHG emission 	<ul style="list-style-type: none"> Adopt Climate Smart Agriculture practices Support low-carbon agricultural practices Expand soil testing and continue reduce chemical use; Develop climate-resilient infrastructure, especially water related; Promote livelihood strategies and technologies that are adapted to climate change. This includes saline resistant crops, adapted agronomic practices and switch from crops to aquaculture and livestock.
Sustainably managing natural resources		<ul style="list-style-type: none"> Environmental stress as result of persistent pursuit for total production and productivity, soil erosion, salinization, degraded land quality; Steady declining but still relatively intense application of fertilizer and pesticides at low efficiency, causing biodiversity loss; Water is the most scare resources for China agriculture, yet water use efficiency is much to be improved; Agricultural waste (straws, plastic films etc.) and by-products not well recollected or recycled in rural areas Climate variability affects risk pattern of agriculture production. In addition, intensification and mechanisation increase potential loss due to high up-front investments in production. 	<ul style="list-style-type: none"> Invest in increasing farmland quality and productivity Implementation green agriculture development plan issued by five ministries in 2021 Promote optimized land use practices Innovate and pilot environmental service schemes such as Payment for Ecosystem Service (PES) Enhance natural protection and ecological rehabilitation of severely affected areas to increase their capacity for sustainable development. Deepen outreach of agricultural insurance products to vulnerable rural households and their associations. Expand commercialised insurance to cash crops and industries important for vulnerable households Assess gaps of existing insurance scheme and fill in with appropriate innovative products
Tapping global market and managing trade volatility		<ul style="list-style-type: none"> Relatively high costs of production due to increased costs of agricultural production factors (land, labour, capital). This caused price increases, rendering domestic products less competitive vis-à-vis imports. Market volatility increases shocks to small producers (hog production) 	<ul style="list-style-type: none"> Support cross-border value chains to promote locally competitive advantages Enhance and disseminate market information analysis and projections
Rural People			
Increasing farmers' income level	Rural residents, especially in remote and western regions	<ul style="list-style-type: none"> Rural-urban income gap remains at 1:2.39 in 2023, despite lightly higher increase y-o-y for rural people; Limited opportunities and sources for asset or employment generated income; Risking slipping back to poverty due to shocks 	<ul style="list-style-type: none"> Improve agricultural production and quality, explore premiums and value addition of agricultural produces through post processing and market access in partnership with private sector; Support the development of agricultural and non-agricultural income generating activities for diversified income source to enhance market resilience Increase asset returns for rural people (e.g. land etc.) Provide necessary incentives and subsidies for improved production and productivity;

Overcoming barriers to remunerative markets and value chains	Poor and non-poor rural producers	<ul style="list-style-type: none"> Producing in small amount and not standardized Many small producers lack access to remunerative output markets, due to various causes: lack of infrastructure (access and storage); supply driven production; quality and time for targeted markets; poor organisation along the value chain Logistic costs remain comparatively high, market information systems are not yet fully developed and accepted by producers. 	<ul style="list-style-type: none"> Improve access to infrastructure for transportation, post-harvest handling and value addition; Improve capacity of producer organisations/associations in the area of business operation especially marketing; Improve partnership among value chain actors to make value chains more profitable and resilient; Address regulatory obstacles for small producers to enter markets; Support market-oriented extension services that help producers, their organisations and other VC actors to meet market demand / requirements. Reduce transaction and logistical costs through organisation of production (cooperatives; contract farming; etc.) and investments in supportive infrastructure and services (cold chain; market information system; etc.) Employ digital means and training farmers for e-marketing.
Enhancing collective economy for smallholders	Producers organised in cooperatives.	<ul style="list-style-type: none"> Despite the steady over 2.2 million specialised farmer cooperatives in China, there exist a huge variation nationally between various provinces in capacity of these organizations. Poor governance, lack of farmers ownership and therefore commitment and participation Village collective economic organization lacks leadership or management skills 	<ul style="list-style-type: none"> Review regulations and the compliance with regulations regarding producer organisations/ cooperatives. Capacitate members and management of producer organisations to improve internal governance structures that allow participation and effective decisions making. Strengthen management, business and marketing skills of producer organisations. Innovate effective business partnership among cooperatives or with other market players, including enterprises Expand services to farmer cooperatives Demonstrate viable business models for village collective economic organizations, provide capacity building to them, or acquire technical support for their operation
Ensuring adequate active rural labors and their quality	Rural population	<ul style="list-style-type: none"> Out-migrated rural labor remains at high level and steady. Migrant workers in 2023 was 297.53 million, an increase of 0.6% over the previous year. 62.7% of all migrant workers were men, making left-behind labor for agriculture mostly being women and aged. Aging rural population, with their average age increased from 31.99 years old in 1985 to 39.43 in 2020 according to the latest government census. Average age of rural male labor exceeds 40 yrs Relatively low education level of Chinese farmers 	<ul style="list-style-type: none"> Provide technical and vocational training; Introduce and extending agro-technologies including digital technologies and apparatus; Invest in and innovate technical extension services Promote digital agriculture

Unemployment or lack of employment	Young people	<ul style="list-style-type: none"> Limited young laborers in rural areas, lack of opportunities for young people in rural areas. Limited services and support offered to young people returning to rural areas 	<ul style="list-style-type: none"> Support activities promoting young people returning to agriculture and rural areas Provide business incubation and entrepreneurship training for young people
Enhancing nutrition levels	Rural kids, rural women and generally rural population	<ul style="list-style-type: none"> The State Council pointed out that “the major factors affecting national health are, the coexistence of insufficient and excessive nutrition, the frequent occurrence of nutrition-related diseases, and the lack of popularization of nutritious and healthy lifestyles”; In 2020, more than 50% of adult residents in China are overweight or obese, and the rates of overweight and obese children under 6 years old and adolescents aged 6 to 17 years old reach 10.4% and 19% respectively. Among them, BMI and obesity increase faster in rural population than in urban areas, and the increase rate of average BMI, overweight and obesity seems to level off in urban areas, while it continues to rise in rural areas, especially among rural adult women. Despite growing wealth and a strengthening commitment from the government to provide quality education, a significant share of students across rural China still have inadequate access to micronutrient-rich regular diets. Such poor diets can lead to nutritional problems, such as iron-deficiency anemia, that can adversely affect attention and learning in school. Rural children left behind by parents moving to China’s booming urban centres are at risk from increased fat and reduced protein in their diets (obesity). Iron Deficiency Anemia rate among pregnant women and lactating women at age of 18-49 is still at high level. Women in rural areas and in western regions disadvantaged comparing to their peers in urban and eastern provinces in their nutrition status. National Nutrition Programme aims to keep rate of anemia in children under the age of 5 and in pregnant women is below 10%; and stunting rate for children under 5 years old below 5% by 2030. 	<ul style="list-style-type: none"> Increase awareness to nutritional aspects in rural areas and long-term costs of malnutrition. Promote/link with appropriate programmes, such as school feeding initiatives to supplement diets have already shown positive outcomes (e.g. eggs, multivitamin for students). Promote awareness on better use and allocation of food production for self-consumption Partner with institutions/organisations strongly active in the area of nutrition.
Access to rural finance	Micro Enterprises, Cooperative & other VC actors, smallholders	<ul style="list-style-type: none"> Without appropriate collateral, finance is not accessible to many rural households and small entrepreneurs. Rural finance service for cooperatives are extremely limited 	<ul style="list-style-type: none"> Explore and promote appropriate value chain finance and other means of rural finance. Explore opportunities to channel income from non-farm activities to boosting rural economy. Pilot new products or innovative schemes for financial inclusion Explore digital financial services for rural clients
Overcoming inequality in social and public services	Vulnerable rural groups	<ul style="list-style-type: none"> Limited level of health service and medical care service Lack of participation to community governance by farmers 	<ul style="list-style-type: none"> Expand and increase cooperative medical service and insurance for major sickness

		<ul style="list-style-type: none"> Limited mechanism and means for effective governance of rural community Lack of culture facilities and services for rural residents 	<ul style="list-style-type: none"> Innovate rural community governance mechanisms and models Provide capacity building for rural cadres and community leaders; Provide technical service, advisory and guidance to rural community planning and development; Attract private sector to invest in rural communities with potential of offering economic returns Link universities and public entities with rural communities for talent support
Rural Areas			
Improving rural living condition	Rural population in remote and vulnerable areas	<ul style="list-style-type: none"> Low rate of recycling of rural waste Rural toilet and sewage treatment in limited availability and post installation maintenance not standardized Community environment not well maintained Drinking water problem for remote communities 	<ul style="list-style-type: none"> Adopt and optimize spatial planning while improving rural communities Analyse core infrastructure needs in marginalised areas. Prioritise finance provision of appropriate infrastructure addressing identified needs Construct climate-resilient rural waste management systems Support pilot to innovate waste management systems Strengthen local communities' ownership and pilot effective models in maintaining infrastructure Improving drinking water systems
Enhancing rural governance	Rural residents	<ul style="list-style-type: none"> Limited participation of rural residents in community governance Lack of capacity and models for effective community governance 	<ul style="list-style-type: none"> Support activities fostering development of cultural life and quality ethic Support scalable models in effective rural community governance Support youth participation in community management
Improving public services in rural areas	Vulnerable groups in rural areas, esp. women, elderly, people with disabilities	<ul style="list-style-type: none"> Lack of senior care or service arrangements and facilities Limited services for left behind children and women; Digital divide in rural areas Low level of pension support Limited health service and capacity, especially in epidemic prevention and treatment 	<ul style="list-style-type: none"> Improving rural amenities facilities such as heating, green areas, space for public leisure activities etc. Pilot innovative models of supporting rural seniors Expanded public services for vulnerable rural groups especially women, children and people disabilities

Key file 2: Target group identification. Priority issues and potential response

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	COSOP Response
<p>Better off rural population/Non-poor</p> <p>(Monthly per capita net income above CNY1205, equivalent to US\$166²⁹)</p>	<ul style="list-style-type: none"> Stable non-farm income as source of household revenue Farming at average size (with transferred land or contracted assets) and active participation in agribusiness and value chains Solid and sufficient physical assets With sufficient financial buffer and have access to credit Employ other farmers on farming activities High vulnerable to climate change Insufficient knowledge in sustainable food production 	<ul style="list-style-type: none"> Seek to consolidate and expand non-farm activities Ready to migrate to cities (short term or long term) Acquire resources to expand production and agribusiness Expand profit margins from value chain Potential to grow and take leading role on village development 	<ul style="list-style-type: none"> Access to specific training Access to improved community infrastructures and support services Expand production scale and upgrade facilities Access to loans of larger amount for working capital or asset investment Further integration in value chain Entrepreneurship 	<ul style="list-style-type: none"> Digital inclusion Adopt climate resilient and sustainable production practices Support the farming households with credit and agribusiness improvement, as demonstrators and agribusiness leaders/incubators to benefit the other farmers
<p>Low-income rural population/ Economically Active Farmers and highly risky of falling back into poverty</p> <p>(Monthly per capita net income between CNY866 and CNY1205, equivalent to US\$119.6 to US\$166)</p>	<ul style="list-style-type: none"> With seasonal non-farm income contributing to household revenue, skill level limits further increase of non-farm income Farming at average size and productivity, with market access potential not fully exploited limiting further income increase In good health and with adequate labour to farm own land With some access to credit but limited in amount and substantial asset as collateral Inadequate knowledge in sustainable food production Risk of falling into poverty if adverse events take place High vulnerable to climate change 	<ul style="list-style-type: none"> Improve skills of labour to expand seasonal non-farm income and seek better paid employment Improve product quality and market access to increase premium Expand production scale and Improve production facility to consolidate farm income base Better access to technical, marketing and credit services 	<ul style="list-style-type: none"> Specialization of production Diversify income opportunities Skill and knowledge upgrade Access to credit for start-up investment of adjusted production, improvement, expansion and upgrading Further integration into value chain to acquire more premium and better sales Improvement of productive infrastructure Sustainability of production and income 	<ul style="list-style-type: none"> Digital inclusion Adopt climate resilient production practices Convert to or further the specialised production Provide access to improved production technologies, skills and marketing services Provide access to credit or value chain financing Link better with agribusiness and farmer cooperatives Benefit from improved public services and infrastructure Diversify household income sources

²⁹ Per China national classification of impoverished households, applied May 2024 UN exchange rate 1 USD to CNY7.242 for conversion)

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	COSOP Response
<p>Relative poverty rural population/ emerging farmers</p> <p>(Monthly per capita net income below CNY628 to CNY865, equivalent to US\$86.7 to US\$119.4)</p>	<ul style="list-style-type: none"> ● With healthy labour (but aged) based at home ● Occasional labour attributed non-farm income contributing to household revenue, but farm income is main lifeline ● Farming on own land for self-sufficiency or at surplus but with limited profitability. Or with land transferred but still engaged in production activities as labour ● With limited access to credit and without meaningful asset as collateral ● Production facility and infrastructure in average condition, but potential cannot be exploited due to limited investment and capacity. ● Without direct market access and usually not member of farmer cooperatives ● In remote, ecologically fragile area with poor natural resources base ● High vulnerable to climate change ● Low capacity in sustainable food production and limit access to technical assistance and trainings 	<ul style="list-style-type: none"> ● Seek better paid seasonal non-farm opportunities ● Improve product quantity, quality, and market access to increase profit ● Expand production scale and Improve production facility to consolidate farm income base ● Seek access to technical, marketing and credit services ● Avoid taking risks 	<ul style="list-style-type: none"> ● Inclusive in income generation opportunities ● Improve access to technology, credit and better skills ● Improve ecological and natural resources base ● Improved access to markets, community infrastructures and support services ● Capacity building on climate adaptation ● Improved integration in value chains ● Employment with agribusiness and farmer cooperatives, to prepare for self-management of productive activities 	<ul style="list-style-type: none"> ● Digital inclusion ● Benefit from improved community services and productive infrastructures and facilities ● Adopt climate resilient production practices ● Improve productivity and profitability by engaging in specialised production ● Provide access to improved production technologies, skills and marketing services ● Provide access to credit or value chain financing ● Link with agribusiness and farmer cooperatives
<p>Relative poverty rural population/ incapable ones</p> <p>(Monthly per capita net income below CNY628 to CNY865, equivalent to US\$86.7 to US\$119.4)</p>	<ul style="list-style-type: none"> ● With very limited labour (disable, aged, sick) based at home ● With very limited and non- stable off-farm income ● Farming on own land for self- sufficiency or at surplus but with limited profitability. Or with land transferred receiving rent ● Without access to credit and without meaningful asset as collateral ● Without very limited market activities and not member of farmer cooperatives 	<ul style="list-style-type: none"> ● Seek stipends and subsidies from government ● Maintain farm production for food and some cash income ● Avoid taking risks 	<ul style="list-style-type: none"> ● Improve public and community infrastructure and services ● Minimize risks to production ● Seek government subsidies and social welfare support 	<ul style="list-style-type: none"> ● Benefit from improved community services and green infrastructure ● Benefit from improved ecological environment ● Nutrition and food security protection

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	COSOP Response
	<ul style="list-style-type: none"> ● In remote, ecologically fragile area with poor natural resources base ● With family burden that dry up household cash revenue ● High vulnerable to climate change ● Low capacity in sustainable food production and limit access to technical assistance and trainings 			
Rural Women	<ul style="list-style-type: none"> ● Over 60.5% of agricultural labour are women ● Majority of them are smallholders ● Relatively lower education than men ● Higher incidence of poverty/extreme poverty and food insecurity ● Greater vulnerability to climate change and lower adaptive capacity ● Double workload ● Low literacy on digital 	<ul style="list-style-type: none"> ● Strengthening organisation of women and access to technology and adaptation trainings ● Improve skills of labour to expand seasonal non-farm income and seek better paid employment opportunities ● Increase access to social technologies 	<ul style="list-style-type: none"> ● Access to markets ● Improve technical knowledge and skills ● Improving nutritional, hygiene, and sanitation knowledge and practices ● Social and economic empowerment ● Reducing vulnerability to climate and environmental risks 	<ul style="list-style-type: none"> ● Digital inclusion ● Raise awareness in the communities about the importance of gender equality ● Sustainable and "climate-smart" and sustainable practices ● Communication interventions for changing gender behaviours ● Encouraging the participation of women, especially young women and those returned to villages ● Learning and awareness raising on greater women inclusion and access to market
Rural Youth	<ul style="list-style-type: none"> ● Around 18.3% of average surveyed unemployment rate for youth aged 16-24 in 2023 ● Regional labour market disparities ● Rural youth significant challenges in urban employment 	<ul style="list-style-type: none"> ● Attracting young people back to rural areas through entrepreneurship and employment opportunities ● Strengthening grassroots rural youth leagues and empowering them by trainings, capital support and institutional backing ● "Swallow homecoming" projects encouraging youth involvement 	<ul style="list-style-type: none"> ● Inclusive in income generation opportunities ● Improve access to technology, credit and better skills ● Improve capacities to participate in community management 	<ul style="list-style-type: none"> ● Digital inclusion ● Seed capital support for entrepreneurship in rural communities ● Provide access to improved production technologies, skills and marketing services ● Link with agribusiness and farmer cooperatives

Key file 3: Organisation matrix (strength, weaknesses, opportunities and threats analysis)

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
A. Enablers				
Ministry/ Department/ Bureau of Finance	<ul style="list-style-type: none"> Well organised and resourced Strong skills in financial management Unique IFAD coordinator for in-country governments and IFIs Effective coordination and control of budgeting process and debt management Efficient coordination with donors. Represented at all levels. 	<ul style="list-style-type: none"> IFAD business separated to several divisions, sometimes they are silos Limited capacity on technical issues for rural and pro-poor agribusiness development Limited staff and time to give desired attention to operation related issues in IFAD China portfolio Only represented down to county level. 	<ul style="list-style-type: none"> Highly supportive of IFAD's strategy and advancement of IFAD-China partnership Promotes SSTC 	<ul style="list-style-type: none"> MOF is the counterpart Ministry of IFAD in China.
National/Provincial/ Prefecture/County Development and Reform Commission	<ul style="list-style-type: none"> Well organised. Experienced in design and appraisal of large-scale programmes. Effective coordination Efficient coordination with donors. Responsible for policy formulation, development and approval of new programmes Strong role in private sector development and implementing rural revitalization strategy 	<ul style="list-style-type: none"> Limited technical capacity for rural development issues at grassroots level Lack of experience for field operational management of development projects. No implementation unit system. Only represented down to county level. 	<ul style="list-style-type: none"> Highly supportive of IFAD's strategy in China. Open for joint development of pipeline and co-financing with other donors; Managing climate financing and private sector development Well aware of the country development needs and priorities. 	<ul style="list-style-type: none"> NDRC is responsible for development of IFAD pipeline and approval of IFAD-funded programmes in China.
Ministry/Department/Bureau of Agriculture and Rural Affairs	<ul style="list-style-type: none"> Responsible for agricultural production and rural affairs (with Rural Revitalization Bureau) Strong commitment Experienced in implementing agricultural sector projects Represented at all levels and experienced field staffs. Strong technical skills in relevant sub-sectors. 	<ul style="list-style-type: none"> Focus on production but not always considering value chain approach Less consideration of people priority in managing development projects Supply driven and top-down extension approach Limited gender focus Lack of multi-sector orientation, limited outreach to value chain actors beyond production Limited authority in resources allocation 	<ul style="list-style-type: none"> Integrated responsibility of ag production and rural affairs Dedicated government programs/resources in high standards farmland, rural toilets etc. Strong outreach and field presence. Adopt green agriculture strategy Promote the development of rural cooperatives and association, including village collective economic organizations 	<ul style="list-style-type: none"> Ministry of Agriculture was IFAD's counterpart ministry until 2004 when responsibility was transferred to the Ministry of Finance. Rural Revitalization Bureau become an integrated part of MARA

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<ul style="list-style-type: none"> • Important implementer of SSC and SSTC activities in other developing countries 	<ul style="list-style-type: none"> • Limited convening authorities both horizontally and vertically 		
National/Provincial /County/Rural Revitalization Bureau (RRB) (subsidiary of MARA/DARA/CARA)	<ul style="list-style-type: none"> • Responsible for poverty monitoring and tailored support after 2020 to prevent slipping back to poverty • Managing earmarked resources for transition period (upto 2025, so far) • Considerable successful experience in the design and implementation of poverty reduction programmes. 	<ul style="list-style-type: none"> • Responsibilities narrowed after integration into Ministry of Agriculture and Rural Affairs • Reduced opportunities to managing rural development project; 	<ul style="list-style-type: none"> • Maintain database/information and dynamics of people at risk of slipping poverty • Development of long-term measures for sustainable poverty eradication • Maintains national computerized database of rural poor • Alignment and implementation of poverty reduction strategies and policies 	<ul style="list-style-type: none"> • Provincial level RRB merged into Department of Ag and Rural Affairs in early 2024
Ministry of Ecology and Environment (MEE)	<ul style="list-style-type: none"> • Well organized with vertical system and independent supervisory arrangements on environmental standards and policy compliance; • Dedicated ministry on ecology and environment from policy making, to supervision and program implementation • Strong commitment in subject matters • Experienced in implementing climate and environmental sector projects • Represented at all levels and experienced field staffs. • Strong technical skills in relevant sub-sectors. 	<ul style="list-style-type: none"> • Limited convening authorities with other sector institutional horizontally and vertically; • Inadequate integration/linkage with agricultural and rural development agenda • Has not cooperated with IFAD before 	<ul style="list-style-type: none"> • Potential partnership on environmental and climate related issues contributing to generating global public goods from IFAD-China partnership; • Policy and strategic level cooperation in the context of the COSOP and SSTC 	<ul style="list-style-type: none"> • Responsible for thematic areas including biodiversity, environment, climate change
China International Development Cooperation Administration (CIDCA)	<ul style="list-style-type: none"> • Well mandated with dedicated focus • Strong commitment of central government in promoting development cooperation • Adequate resources and good linkage with SDG and 2030 Agenda • Open to cooperation with UN and IFIs for win-win 	<ul style="list-style-type: none"> • Limited sub-national level organizations • Limited implementation capacity of projects • New procedures and requirements yet to be adapted by UN and IFIs 	<ul style="list-style-type: none"> • Cooperation framework signed with IFAD, giving access to CIDCA resource for SSTC • Co-financing possibility with IFAD in selected countries • Potential for knowledge sharing 	<ul style="list-style-type: none"> • Established in 2018 as the window of China's foreign aid
B. Service Providers				

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
Technical Department/Bureaux in Provinces/counties (transportation, water resources etc.)	<ul style="list-style-type: none"> Responsible for sector development. Strong commitment . Experienced in implementing sector development projects. Represented at all levels & experienced field staffs. Strong technical skills in relevant sub-sectors. 	<ul style="list-style-type: none"> Silo structure not easily integrated in development projects Limited gender focus and community engagement Lack of multi-sector orientation. Limited participation at design stage, therefore lack of accountability Limited resources. 	<ul style="list-style-type: none"> Strong sector planning and technical expertise Sector projects and resources to be mobilized to co-finance IFAD projects 	<ul style="list-style-type: none"> To be coordinated through local government at respective level
All China Women's Federation	<ul style="list-style-type: none"> Promotes the interests of women in all fields Notions of poverty reduction focus and strong social focus. Works at very local, decentralised level. Federated structure from village up to the central level. Dedicated staff NGO-style working environment. 	<ul style="list-style-type: none"> Limited operational resources. limited cooperation from other sector agencies. Differences in coordination capacity among regions.” 	<ul style="list-style-type: none"> Collaborate to realise gender transformative approach in IFAD project, especially in areas not covered by IFAD intervention such as gender based violence, IGA skills development for women, networks and community of practices of rural women etc. Limited experience in and exposure to economic empowerment activities for women Advocacy for women's rights and gender equality 	
Rural Commercial Banks (former Credit Cooperatives)	<ul style="list-style-type: none"> Nation-wide network. Grassroots branch presence down to township level. Long history of agricultural lending. Experienced credit staffs. 	<ul style="list-style-type: none"> Individualised operation with poor networking capacity. Limited innovation in services and low risk appetite Narrow line of business in conventional credit and savings. Lack of management system integration and application of digital tools. Little gender focus Limited pro-poor consideration Non-performing loans from government program for collateral-free and subsidized credit to poverty households 	<ul style="list-style-type: none"> Expand service to agribusiness entities including farmer cooperatives Digital and ESG lending to rural clients Limited outreach to IFAD target groups. 	Business confined to given geographic territory

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
International Poverty Reduction Center of China (IPRCC)	<ul style="list-style-type: none"> Responsible for supporting poverty reduction strategy design and implementation. Considerable successful experience in the design and implementation of poverty reduction programmes. Competent staff at most levels. Multi-sectoral orientation. Extensive and growing collaboration with international partners and South-South exchange on poverty reduction work. Experience in sharing China experience with other countries and undertaking pilots 	<ul style="list-style-type: none"> Limited monitoring and impact assessment capacity on results Limited focus to mainstreaming themes Limited strategic capacity and weak inter-linkage with other departments Limited resources 	<ul style="list-style-type: none"> Thematic events for advocacy Potential partner in SSTC Documenting and sharing experiences and best practices for global poverty reduction 	
Center for International Knowledge on Development (CIKD)	<ul style="list-style-type: none"> Strongly mandated in close alignment with SDG and 2030 Agenda Strong capacity in knowledge harvesting, documentation and sharing Networking capacity Strong technical capacity and resources linked to China Development Research Center – a Thinktank of the State Council 	<ul style="list-style-type: none"> Limited association with and experience in agricultural and rural development project Quasi-government institution limiting its outreaching and partnership potential Responsive to self-defined agenda, lack of demand and partner driven cooperation Limited in resources and coordination authority 	<ul style="list-style-type: none"> Knowledge cooperation in agricultural and rural development through SSTC or thematic focused events/exercises 	<ul style="list-style-type: none"> Established after 2015 UN Development Summit to promote global development through knowledge cooperation
Foreign Economic Cooperation Center (FECC) (within MARA system)	<ul style="list-style-type: none"> Responsible for international agricultural development projects within China and China's agricultural development projects overseas. Exchange of agricultural science and technology with EU. Research on foreign agriculture policies and regulations. Competent staff with strong linkages to China's extensive agricultural research system. 	<ul style="list-style-type: none"> Limited resources Limited gender focus. Lack of multi-sector orientation. 	<ul style="list-style-type: none"> SSTC project cooperation with China ag institutions Knowledge or thematic cooperation Linking China bilateral agricultural SSC with IFAD projects in selected countries 	<ul style="list-style-type: none"> 2016 MOU between Ministry of Finance, Ministry of Agriculture, and IFAD maybe further updated to embark on new cooperation arrangement
C. Client Organisations				

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
Farmers' associations and cooperatives	<ul style="list-style-type: none"> The de facto only economic organisations of farmers. Over 2.2 million registered cooperatives covering upto half of the rural households. Government commitment and support available to promote farmer cooperatives Farmer cooperative's law in place Diversified business and services among cooperatives emerging Experience in production National network of trainers and know-how 	<ul style="list-style-type: none"> Lack of strong governance. A good number of cooperatives not effectively serving members or engage in improving & expanding businesses Often dominated by a few members Not necessarily created purposefully for the IFAD target group. Very limited coverage by each cooperative Often not yet well structured and operating as cooperative per se. Limited access to financing 	<ul style="list-style-type: none"> Potential to organise vulnerable rural people in associations. Potential to strengthen these associations. Innovate and diversify partnership model with other agro-entities 	<ul style="list-style-type: none"> Increasingly important players in agriculture and rural development, due to scale of economy, aging of rural labor and tiny scale of landholdings
Village Collective Economic Organizations	<ul style="list-style-type: none"> Full participation by village members; Coordinate village assets and lands, when required; Strong government policy support to beef up VCEO, even with some initial capital/asset injection in some places 	<ul style="list-style-type: none"> Lack of leader capacity in managing business and assets Lack of sense in villager ownership and accountability Lack of transparency and focus to gender and vulnerable groups 	<ul style="list-style-type: none"> Potential to organize vulnerable farmers into agribusiness or income generating groups, individually or through business partnership with private sector 	<ul style="list-style-type: none"> VCEO is de-facto the village community as a whole, but highlighted to function for collective and scaled operation and services
Private Sector (in general)				
Private Agro-entities (of various scale and forms)	<ul style="list-style-type: none"> Aggregated production and processing in rural areas and mostly have established market access to different extent; Bulk purchase and sale that can enjoy premium prices than individual HHs; Technical advances, branding and standardized production and more facilities (storage etc.) in various degrees Better positioned for market-oriented production 	<ul style="list-style-type: none"> Limitation in accessing commercial financing, constraining growth and business upgrade; Vulnerability exists at various degree to market fluctuations; Not always sensitive to social, environmental and climate risks and compliance tend to be responsive to supervisions & regulations; Profitability and scale relative low especially those in IFAD project areas Standardization and transparency in financial management 	<ul style="list-style-type: none"> agricultural sector moving to scale in the country, with increased adoption of machinery & digital technologies, on one hand offer better services for smallholders while minimize labor requirement on the flip side; Business growth/expansion with more smallholders as suppliers of labor and raw products, but tend to be less inclusive of "weak" ones; Emerging e-platform based business models and increasing space for youth to play their role on one hand 	<ul style="list-style-type: none"> Large enterprises (dragon-head enterprises) tend to off quick hook up for smallholders but inclusivity and profit margins for smallholders tend to be limited. Most accessible agro-entities in project areas are small scale and still require external support for business growth and to become robust in value chains. The art of partnering with them is to find the proper win-win balance with sustainability.

Key File 4: Strategic partnerships potential

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
SO1 - Foster innovative agriculture-based livelihood options and strengthen private sector led development models for the benefit of smallholders in China.					
-Knowledge sharing; training activities; missions and technical visits.	ADB	<ul style="list-style-type: none"> Agriculture, natural resources and rural development 	<ul style="list-style-type: none"> Hubei Huanggang Dabie Mountain Ecosystem Protection and Carbon-Neutral Green Development Project (US\$ 200 million) Objective: Ecosystem services, livelihood opportunities, and climate resilience of the Dabie Mountain region improved 	In progress - 10/2030	-Exchange of experiences on topics and regions neighbouring IFAD's investment with similar purpose
-Knowledge sharing;	ADB	<ul style="list-style-type: none"> Agriculture, natural resources and rural development 	<ul style="list-style-type: none"> TA-Provincial and Municipal Climate Change Adaptation Capacity Improvement (US\$ 524,800). Objective: strengthen capacity and effectiveness of adaptation at provincial and municipal levels and comprehensively promote the implementation of the PRC's National Climate Change Adaptation Strategy (NCAS) 2035 at the local government level. 	In progress - 04/2026	<ul style="list-style-type: none"> - Access to political dialogues with a view to having a greater impact on policies and implementation of NCAS 2035 - sharing IFAD's specialised knowledge on CCA.
-Co financing -Knowledge sharing; training activities	ADB	<ul style="list-style-type: none"> Agriculture, natural resources and rural development 	<ul style="list-style-type: none"> Sichuan Rural development Project 	Early pipeline	<ul style="list-style-type: none"> -Complementing IFAD's activities in the region, facilitating the achievement of impacts and scaling up -Exchange of experiences on topics and regions where IFAD has less expertise
-Knowledge sharing; training activities	ADB	<ul style="list-style-type: none"> Agriculture, natural resources and rural development 	<ul style="list-style-type: none"> TA-Guangdong Rural Green Development Evaluation Indicators and Policy Integration Study (US\$ 235,766). Objective: integrate the concept of green development into the rural vitalization strategy. The TA will help to establish a national rural high-quality green 	In progress - 01/2025	- Exchange of experiences and opportunity for similar policy studies from IFAD projects

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
			development demonstration zone through research in Guangdong province and propose an innovative model and path of coordinated green development in the developed areas of the Pearl River Delta, and less developed areas in the east, west, and north of Guangdong.		
-Knowledge sharing; missions and exchanges	World Bank Implemented by Guizhou Provincial Rural Revitalization Administration and Guangxi Agriculture and Rural Affairs Department	<ul style="list-style-type: none"> Agriculture, natural resources and rural development 	<ul style="list-style-type: none"> Green Agricultural and Rural Revitalization Program for Results-Phase I (US\$ 320 million). Objective: to enhance environmentally sustainable agricultural and rural infrastructure development in selected areas of Guangxi and Guizhou. 	In progress - 06/2028	-Exchange of experiences on topics on green development agenda
-Knowledge sharing; missions and exchanges	World Bank Implemented by Henan Agriculture Development Fund Investment Corporation	<ul style="list-style-type: none"> Agriculture and rural finance 	<ul style="list-style-type: none"> Henan Green Agriculture Fund Project (US\$ 300 million). Objective: demonstrate the viability of financing green agriculture investments and foster the innovation and adoption of green agriculture standards and technologies in Henan. 	In progress - 12/2026	-Exchange of experiences on topics on green development agenda
-CLPE on private sector policies.	NDRC	<ul style="list-style-type: none"> Private sector and agri-business 	<ul style="list-style-type: none"> Bureau of Private Economy was newly established in NDRC with key responsibilities include 1) track and analyze the development of the private sector, 2) coordinate and organize policymaking to promote the private economy, 3) formulate policies to boost 	Design stage	- Promoting policy advisory dialogue with a view to impacting during formulation of policies and management guidelines related to rural agri-businesses

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
			private investment, 4) establish a regular communication mechanism with private enterprises, remove obstacles to the development of the private economy, 5) and support the private sector to improve international competitiveness.		- Access to specialised knowledge - Carrying out research on policies on private sector development;
-CLPE on green rural development	CIKD	<ul style="list-style-type: none"> Green development 	<ul style="list-style-type: none"> Policy advisory study on China multi-dimension rural poverty standard, project knowledge generation and replication 	Design stage	<ul style="list-style-type: none"> Promoting policy advisory dialogue with a view to impacting during formulation of policies and management guidelines related to rural development Carrying out research on public policies; Access to specialised knowledge
CLPE	CAAS	<ul style="list-style-type: none"> Agriculture, natural resources and climate change 	<ul style="list-style-type: none"> SECAP M&E 	In progress	<ul style="list-style-type: none"> Promoting policy advisory dialogue with a view to impacting during formulation of policies and management guidelines related to rural agricultural affairs Carrying out research on public policies; offering courses and training on public policies. Supporting the implementation of public policies through consultancies and technical advice Access to specialised knowledge
-Incorporation in the actions of IFAD projects.	Youcheng Foundation	<ul style="list-style-type: none"> Rural Women 	<ul style="list-style-type: none"> capacity building to rural women entrepreneurs 	In progress	<ul style="list-style-type: none"> Access to specialised knowledge offering courses and training under policies. Supporting the implementation of policies through consultancies and technical advice

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
-Incorporation in the actions of IFAD projects. -value chain extension	JD	<ul style="list-style-type: none"> Agriculture production, value chain extension and agri-business 	JD has initiated many campaigns aimed at connecting small farmers with their specialized products for sale on JD's platform. In a three-year project named "Running to Prosperity (Ben Fu)", they empowered supply chain, extended the value chain of agricultural products, and supported the establishment of ecological protection and sustainable development practices. One of their primary focuses is leveraging their strengths to assist farmers in building the brand for their products, standardizing the production processes, and digitizing the rural villages.	In progress	<ul style="list-style-type: none"> Combining resources such as financing and expertise to extend IFAD projects' value chains, increasing the region's capacity for realisation Guaranteeing connection to e-commerce for targeted groups in IFAD project regions
-Incorporation in the actions of IFAD projects.	CAU and Tencent	Private Sector <ul style="list-style-type: none"> Institutional development 	<ul style="list-style-type: none"> Joint Rural CEO training program together with Tencent-Phase II. Objective: It is committed to exploring mechanisms to cultivate talents for returning to rural areas. it integrates innovative training systems with localized "training-recruitment" mechanisms and focus on promoting the institutionalization of the Rural CEO Program at the local level, continuously improving the capacities for rural CEOs. 	In progress	<ul style="list-style-type: none"> Access to specialised knowledge offering courses and training under policies. Supporting the implementation of policies through consultancies and technical advice

Transition projections

A. Objective and background

This appendix presents a set of proxy indicators to assess the country's current and prospective positioning within the transitional context,³⁰ of IFAD Graduation Policy³¹. These indicators were identified through discussions with the Government of China, based on the methodological approach outlined in Annex I, to monitor progress towards the three graduation criteria³² set by the afore-mentioned policy. The framework also enables an evaluation of actual advancements and identifies areas where further support may be needed during the COSOP lifetime.

It is worth reiterating that the IFAD Graduation Policy is rooted in universality and guided by a process of consensus with Member States, ensuring transparency while maintaining IFAD's focus on supporting poor, food-insecure and vulnerable rural people.

In 2010, China attained the status of an upper-middle income country, and in 2020, it successfully eradicated severe rural poverty. Since then, China has experienced rapid economic growth, though there has been a recent downturn.

Graduation Discussion (GDI)	Income	Country	Gross National Income (GNI) per capita, Atlas Method (current US\$)
US\$7,445 (EBRD) 2021	-	China	US\$13,400 (2023)

B. Methodology of the Assessment Framework

The assessment of the anticipated development trajectory of China throughout the COSOP implementation period (2025-2030) is multifaceted. Before delving into the methodological steps applied for developing the assessment framework, it is important to emphasize an overarching methodological consideration. The transitional assessment framework offers a baseline, a mid-line and a completion target for each of the chosen proxy indicators to allow us to track and report progress during the COSOP timeframe. Regular conversations with the GoC will be held, informed by both quantitative and qualitative data. This formal progress monitoring approach is complemented by proposing possible future scenarios of China's economic growth and what this implies for IFAD's engagement in the country.

The methodological steps applied for the development of this assessment framework are as follows: 1. Defining Proxy Indicators; 2. Analysing the current situation through the lens of the criteria set in the policy and associated proxy indicators; 3. Identifying

³⁰ Transition refers to the process in which the gross national income per capita (GNIpc) and creditworthiness of a country eligible to borrow from IFAD increases to the threshold for receiving financing on less concessional terms. Reversal refers to the process in the opposite direction, where due to a decrease in GNIpc and/or creditworthiness, a country becomes eligible to financing on more concessional terms. Transitions are medium- to long-term processes that must be planned and resourced adequately. IFAD's COSOPs create a foundation for IFAD's interventions in enhancing the impact of government development policies and programmes in the rural sector. Document EB 2018/125/R.7, approved at the 125th session of the Executive Board

³¹ <https://webapps.ifad.org/members/eb/133/docs/EB-2021-133-R-5.pdf>

³² The three graduation criteria are: (i) the country's ability to access external capital for development; (ii) the country's progress in establishing and sustaining key institutions and policies for sustainable and equitable socio-economic rural development; and (iii) criteria that are specific to IFAD's mandate and target the most relevant Sustainable Development Goals (SDGs).

development gaps; 4. Transitional Scenarios and Operational implications/engagement with IFAD.

Step 1. Defining proxy indicators. Given IFAD's global reach, a concerted effort has been undertaken to adopt a set of standardized criteria and indicators applicable across all countries eligible for COSOP engagement with an assessment framework. Within these criteria, the proposed indicators have been collaboratively agreed upon by both parties as part of the COSOP design process and implementation monitoring. In the interest of transparency and objectivity, all proxy indicators are sourced from publicly available sources. Additional information regarding the methodology used to select the proxy indicators is provided in Annex I to this appendix.

Within this context, the selected proxy indicators respond to three specific criteria, as outlined by the COSOP guidelines:³³

- (i) **The country's ability to access external capital for development at reasonable terms.** This criterion assesses the willingness of capital markets to lend at certain costs^{34,35}, using publicly available ratings from reputable credit rating institutions. The choice of the rating agency is discussed with the government and retained throughout the COSOP cycle. If available, the rating is assessed once a year during the COSOP annual review to monitor progress and trends.
- (ii) **Progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development.** For this criterion, the IFAD RSPA index³⁶ is used, along with sub-ratings for policies and frameworks for rural development and rural poverty alleviation (cluster 1.1), environmental assessments policies and grievance mechanisms (cluster 3.1), national climate change policies (cluster 3.2) and access to and use of rural financial services (cluster 4.1). This criterion is updated and monitored every three years when the RSPA index is generated to capture progress and trends. It is important to highlight that a new RSPA exercise for IFAD13 is presently underway. The insights and updated RSPA ratings for China will be factored into the present analysis and will serve as a revised baseline when available.
- (iii) **Progress towards economic and social development,** as reflected by a selection of Sustainable Development Goals (SDGs) indicators that are most relevant to IFAD's mandate, namely: the incidence of poverty, hunger, gender inequality, and inequality within and among countries (related to SDG1, SDG2, SDG5, SDG10 respectively).

These standardized domains provide an overarching framework to determine the country's overall macroeconomic performance, including its current access to capital market borrowing, as well as of key institutions and policies requiring strengthening to sustain

³³ Operational Guidelines and Procedures for COSOP, IFAD, August 2023.

³⁴ Based on the Graduation Policy of the International Bank for Reconstruction and Development, this indicator measures the risk of default on sovereign debt, as a good proxy for access "on reasonable terms" to private capital markets. This principle of graduation derives mainly from the World Bank's Articles of Agreement; these require that the Bank must, before making a loan, satisfy itself that the country cannot obtain the loan on reasonable terms in the private capital market.

³⁵ The creditworthiness indicator is also used, along with GNIpc, to determine the financing terms IFAD applies to a country.

³⁶ The IFAD RSPA index refers to the "Rural Sector Performance Assessment" tool designed to evaluate and monitor the performance of the rural sector in a country. The RSPA index provides a comprehensive assessment of the rural sector, considering various factors such as agricultural productivity, market access, rural financial services, and the policy and institutional environment. The index is used by IFAD and its partners to identify strengths and weaknesses in a country's rural sector, inform strategic planning, and make evidence-based decisions for rural development projects.

long-term development. Nonetheless, to ensure greater contextual relevance, additional indicators have been selected as deemed highly relevant to the country's unique circumstances. For instance, the proxy indicator "Regulatory Quality Index" has been included under the second criterion as it captures perceptions of the ability of the government to formulate and implement sound policies and regulations (refer to Annex I). Below is a table consolidating the selected proxy indicators.

Criteria: Access to International Capital Markets		
	Credit Rating	Source: S&P
Criteria: Institutions/Policies for sustainable rural development		
	Overall RSPA Rating	Source: RSPA
	Policies/Frameworks (1.1)	Source: RSPA
	Environmental assessments policies and grievance mechanisms (3.1)	Source: RSPA
	National Climate Change Policies (3.2)	Source: RSPA
	Access/Use rural financial services (4.1)	Source: RSPA
	Regulatory Quality Index	Source: World Bank
Criteria: Progress towards SDGs		
SDG 1 No Poverty	Poverty headcount ratio as proportion of population with a daily consumption level below US\$6.85 a day at 2017 international prices ³⁷ .	Source: World Bank
SDG 2 Zero Hunger	Agriculture Orientation Index (AOI)	Source: UN Stat
SDG 5 Gender Equality	Gender Development Index	Source: UNDP GDI Database
	Proportion of time spent on unpaid domestic chores and care work in a 24-hours day (females, %)	Source: UN Women Data
SDG 10 Reduced Inequalities	Income Share held by lowest 20 per cent	Source: World Bank

Step 2: Analysing the current situation through the lens of graduation criteria and associated proxy indicators.

This section provides quantitative and qualitative insights into the current situation under each of the graduation criteria and setting baselines and targets for future tracking of progress at mid-term and completion.

C.1 Criterion 1: Ability to access external capital for development

China's ability to access external capital for development is likely to remain strong in the foreseeable future, but it may face some challenges and changes due to various factors.

Over the last few decades, China has outpaced other nations at similar levels of development, growing at over 8 percent annually since 2000, significantly improving living standards, and eliminating extreme poverty. According to the latest IMF data released on

³⁷ The World Bank defines poverty headcount ratio as "the percentage of the population living below the national poverty line(s)." To track progress against SDG 1, the commonly used indicator is the "proportion of population living on less than US\$6.85 a day at 2017 international prices." This slight change in terminology was adopted at the request of the Government of China (GoC) considering the establishment of multidimensional poverty standards in China. Despite this minor adjustment in language, no differences are expected in terms of monitoring. Progress against SDG 1 will continue to be tracked using the World Bank's specified indicator.

May 28, 2024. China's economy is projected to grow by 5 percent in 2024 and 4.5 percent in 2025. These figures reflect upward revisions of 0.4 percentage points for both years compared to the April 2024 World Economic Outlook (WEO) projections. However, IMF predicts a growth deceleration over the medium- to long term as the positive effects of temporary factors, such as the post-pandemic boost to consumption and fiscal stimulus, ease while weakness in the property sector persists. Economic growth is expected to decelerate to 3.3 percent by 2029 due to aging population and slower productivity.³⁸ Nonetheless, China's status as the world's second-largest economy means it continues to attract significant attention from global investors. Despite some fluctuations, China's economy is expected to maintain relatively robust growth compared to many other countries. This growth trajectory enhances China's attractiveness as a destination for external investment.

In October 2023 the Chinese government took a rare and bold decision to issue 1 trillion yuan (\$141 billion) of additional sovereign bonds in the fourth quarter to finance infrastructure spending, widening the budget deficit as a percentage of GDP for 2023 to 3.8%. The increase in the deficit indicates that the government is pursuing a more proactive and flexible fiscal policy and signals an intensification of policies to stabilize growth. With half of the proceeds, 500 billion yuan, used in 2023 and half to be carried over into 2024, the money will primarily finance investment in eight major areas, including rebuilding disaster-hit areas, construction of key flood control projects and improving management of natural disaster emergencies. China's latest sovereign debt-issuance plan signals greater support from the central government in driving infrastructure spending and the economy and may mark the beginning of a shift towards the central government providing more fiscal support to local governments. The programme is viewed as part of the Chinese government's recent efforts to bolster the economy and ease refinancing burdens at local governments and their corresponding local government financing vehicles. Moreover, China has been gradually opening up its financial markets to foreign investors. Initiatives such as the Shanghai-Hong Kong Stock Connect and the Bond Connect programs allow international investors greater access to Chinese stocks and bonds. Continued reforms in this direction are likely to facilitate more foreign capital inflows.

In conclusion, while China's ability to access external capital for development is likely to remain strong overall, it will need to navigate various challenges such as geopolitical tensions. Continued economic reforms, prudent financial management, and proactive engagement with global investors will be key to sustaining China's access to external capital in the future.

Table 1: Proxy indicator and baseline related to China's ability to access external capital for development at reasonable terms

Criteria	Indicator	2016	Approval	Mid-term	Completion
Access to International Capital Markets					
	Credit Rating	AA- (Mar-16)	A+ (June-24)	To Be Tracked	To Be Tracked

Source: S&P, December 2023.

The retention of the Country Credit Rating indicator is primarily justified by its role as a proxy for access to internal capital markets. However, as mentioned above, China has ample reserves and strong access to both internal and external capital. Consequently, we do not anticipate that the credit rating will be a decisive factor in the assessment. Therefore, the credit rating is not projected but will be tracked at relevant stages of COSOP implementation. For tracking purposes, Standard & Poor's is proposed as the credit rating agency, and as of 27 June 2024, it rated China as "A+ with a stable outlook." The selection

³⁸ IMF, WEO, April 2024.

of Standard & Poor's is based on the agency's reputation for stable and accurate credit ratings, and the recent issuance of the rating in June 2024, and has been agreed with the Government of China.

C.2 Criterion: China's progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development

China has made significant progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development over the past few decades.

China initiated agricultural reforms in the late 1970s, shifting from collective farming to the Household Responsibility System (HRS)³⁹. Agricultural reforms, including the implementation of the HRS, unleashed agricultural productivity and played a crucial role in poverty reduction efforts in rural China. Increased agricultural productivity, income generation opportunities, and rural development initiatives lifted 770 million people out of poverty, contributing to significant improvements in living standards and socioeconomic outcomes in rural areas, and culminating with the Government's announcement in 2021 of extreme poverty eradication. Despite the success of agricultural reforms, challenges persist, including land tenure issues, environmental degradation, rural-urban income disparities and weak rural institutions. China continues to implement reforms to address these challenges, such as land tenure reforms, agricultural modernization programs, and rural revitalization strategies aimed at promoting sustainable and equitable rural development, and support is still needed to ensure appropriate measures are taken to confront such challenges.

Environmental degradation: Rapid industrialization and intensive agricultural practices have resulted in environmental degradation in rural areas. Pollution from industrial activities, excessive use of chemical fertilizers and pesticides, deforestation, and soil erosion pose significant threats to ecosystem health and agricultural sustainability. Environmental degradation exacerbates rural poverty and compromises the long-term viability of agricultural livelihoods.

Vulnerability to External Shocks: Rural communities in China are vulnerable to external shocks, including natural disasters, market fluctuations, and policy changes. Events such as droughts, floods, and disease outbreaks can devastate agricultural livelihoods and exacerbate poverty and food insecurity. Additionally, shifts in government policies, such as changes in agricultural subsidies or land use regulations, can disrupt rural economies, and exacerbate social tensions.

Rural institutions: Chinese rural institutions, despite progress, exhibit several weaknesses that necessitate continued support. One prominent issue is the persistence of bureaucratic inefficiencies, which can hinder the effective delivery of services and resources to rural communities. Additionally, there are challenges related to insufficient infrastructure, limited access to education and healthcare, and disparities in economic development between rural and urban areas. Furthermore, traditional cultural norms and practices sometimes impede the adoption of modern agricultural techniques and sustainable practices. Despite strides in development, ongoing support remains crucial to address these shortcomings and ensure equitable opportunities for rural residents, fostering sustainable growth and narrowing the rural-urban divide. A recent study commissioned by IFAD, which analysed the situation of smallholders, their main challenges, and recommendations for IFAD's future work, provided an interesting

³⁹ The HRS allows farming households to organize their own agricultural production on contracted lands, enabling them to work more efficiently and get more benefits compared to during the collective farming era.

perspective on the role of cooperatives and social service organizations in the transition to green production. These entities possess a comparative advantage over individual smallholders in implementing low carbon technologies, due to their scale, organization, and access to resources. The economic benefits, including cost reduction and land protection, make the adoption of green, low-carbon technologies especially pertinent for cooperatives. Therefore, supporting cooperatives in their green transition has been highlighted as a focal point of future initiatives by international organizations like IFAD, recognizing their potential to drive significant advancements in low carbon agriculture⁴⁰.

To monitor progress in establishing and sustaining key institutions and policies for sustainable rural development, a series of indicators under this criterion have been selected. They encompass: (i) IFAD's **Rural Sector Performance Assessment (RSPA) tool**, which periodically measures the quality of pro-poor rural development and rural transformation policies and institutions. The RSPA methodology is designed to measure through publicly available resources the responsiveness of a country's policies to the needs of poor rural people through a questionnaire organized around six thematic clusters and core indicators; and (ii) **Open Data Sources**, supplementing the RSPA dataset, these enrich the foundation for data-driven decision-making, ensuring a more accurate understanding of the landscape. For more in-depth information, please refer to Annex I.

RSPA – Rural Sector Performance Assessment.

The assessment of China's RSPA scores, as per the 2021 IFAD12 RSPA, depicts a generally favourable performance by the country, garnering an overall RSPA score of 4.2. However, a closer examination of the ratings for each indicator within various cluster areas reveals areas of weakness, particularly in the domains of policies and legal frameworks for rural organizations and rural populations, rural governance, natural resources and environmental policies and practices, and financial access to services and markets. This comprehensive assessment framework aims to identify the most relevant indicators for tracking progress in these areas, which could greatly benefit from IFAD's support.

Methodology. The RSPA functions as a measurement assessment tool, incorporating a mix of qualitative and quantitative indicators. RSPA scores, graded on a scale from 1 to 6, enable comparisons with scores from other countries involved in the assessment. Serving as a comprehensive evaluative metric rather than a projection tool, IFAD updates the RSPA during each replenishment cycle. Ratings from 2018 related to IFAD11 have been included where available to illustrate the score's evolution over the years. Assuming a completion score of 5 across the board, projections at MTR have been made by dividing the RSPA scores for all APR countries into quartiles and assigning China the highest available score in each quartile.

Indicators. In keeping with the above methodological consideration, five RSPA indicators have been carefully selected to effectively monitor progress in accordance with this criterion, strategically aligning with IFAD's comparative advantage and the strategic objectives outlined in the COSOP. It is important to highlight that certain RSPA indicators showing subpar performance have been included and addressed throughout the COSOP's transitional assessment framework by leveraging open data sources, either under this criterion or under the third criterion. These nuances are further elaborated upon within the context of indicators sourced from specific Open Data Sources (next section). For instance, the underperformance of the RSPA sub-indicator 2.1.2, pertaining to the "Share of agriculture in total government expenditure," is tackled by introducing a dedicated

⁴⁰ Prof. Dr. Nie Fengying, Chen Yuquan. Rural Transformation and China-IFAD Strategy for the Future, February 2024

indicator focusing on the Agricultural Orientation Index (AOI) within the framework's third criterion.

The five RSPA indicators selected for monitoring progress under the second criterion of the COSOP's transitional assessment framework are as follows:

- **Rural Sector Performance Assessment – Overall score 4.2.** The overall RSPA score measures the quality of policies and institutions in the rural sector of the country for achieving rural development and rural transformation benefitting the poor.
- **Policies and frameworks for rural development – RSPA Sub-Cluster Indicator 1.1 - score 4.5.** It showcases the country's good performance and commitment to ensuring rural policies and frameworks are in place for rural development and poverty alleviation.
- **Environmental assessments policies and grievance mechanisms – RSPA Sub-Cluster Indicator 3.1 – score 4.7.** It determines the extent to which environmental assessment legislation and policies exist and are applied, as well as the extent to which there are ways to bring grievances about environmental policies. In doing so, this indicator serves as a key measure of progress toward broader global objectives aimed at strengthening environmental resilience and addressing climate-related challenges.
- **National Climate Change Policies – RSPA Sub-Cluster Indicator 3.2 – score 4.1.** It determines the extent to which the government has a strategy for dealing with climate change, and whether this strategy has been integrated into sectoral planning processes within public planning. This indicator serves as a reflection of national efforts to advance climate resilience and sustainable development within key sectors.
- **Access to and use of rural financial services – RSPA Cluster Indicator 4.1 - score 4.3.** A multifaceted metric that directly impacts poverty reduction, economic development, and overall well-being in rural communities. It serves as a crucial gauge of the effectiveness of financial inclusion initiatives and informs strategies to enhance rural livelihoods.

Table 2: China's progress in establishing and sustaining key institutions and policies for sustainable rural development

Figure 1

Criteria	Indicator	2018	Approval (2021)	Mid-term	Completion
<i>Institutions/Policies for sustainable rural development</i>					
Rural Sector Performance Assessment	Overall RSPA Rating ⁴¹	4.2	4.2	4.5	5

Source: RSPA

Figure 1 indicates that there have been no significant changes in the overall RSPA rating since 2018, which has consistently remained at 4.2. While illustrating the effectiveness and impact of China's principal institutions and policies in promoting sustainable and equitable socioeconomic rural development, the stagnancy of the score over the past years points to greater efforts required.

⁴¹ For 2016 2024 RSPA data, information was collected in 2018 for IFAD11.

Figure 2

Criteria	Indicator	2018	Approval (2021)	Mid-term	Completion
<i>Institutions/Policies for sustainable rural development</i>					
Rural Sector Performance Assessment	Policies/Frameworks (1.1)	4.7	4.5	4.7	5

Source: RSPA

Figure 2 shows a slight decrease in the overall score compared to 2018. The 2021 assessment indicates weaker performance specifically in areas related to “Change in Agriculture’s percentage share of GDP”. It is anticipated that the 2021 score will be regained by the mi-term review and is expected to stabilize at a score of 5 by the time of completion.

Figure 3

Criteria	Indicator	2018	Approval (2021)	Mid-term	Completion
<i>Institutions/Policies for sustainable rural development</i>					
Rural Sector Performance Assessment	Environmental assessments policies and grievance mechanisms (3.1)	4.2	4.7	4.8	5

Source: RSPA

Figure 3 shows an improved performance in the indicator concerning environmental assessment policies and grievance mechanisms compared to the 2018 rating. However, certain sub-elements of this indicator, particularly those related to environmental health and ecosystem vitality, continue to show weaker performance. This justifies the inclusion of this indicator as a tracking mechanism for assessing environmental policies in the country and broader global objectives aimed at strengthening environmental resilience and addressing climate-related challenges.

Figure 4

Criteria	Indicator	2018	Approval (2021)	Mid-term	Completion
<i>Institutions/Policies for sustainable rural development</i>					
Rural Sector Performance Assessment	National Climate Change Policies (3.2)	3.6	4.1	4.5	5

Source: RSPA

China has demonstrated a notable improvement in its rating for national climate change policies, with its score rising from 3.6 in 2018 to 4.1 in 2021. This increase reflects China's strengthened commitment to addressing climate change through enhanced policy frameworks and implementation measures. Nonetheless, it also reveals the need for continued support in this area.

Figure 5

Criteria	Indicator	2018	Approval (2021)	Mid-term	Completion
<i>Institutions/Policies for sustainable rural development</i>					
Rural Sector Performance Assessment	Access/Use rural financial services (4.1)	4.8	4.3	4.6	5

Source: RSPA

China has experienced a decrease in its rating for access to and use of rural financial services, with the score dropping from 4.8 in 2018 to 4.3 in 2021. This decline suggests that there have been challenges or setbacks in expanding or maintaining effective rural financial services and that therefore continued support is required in this regard.

Open Data Sources

An additional indicator has been introduced taking into account key areas of interest as identified in national strategies and priorities, in connection with IFAD's mandate and area of expertise. This indicator is the Regulatory Quality Index, sourced from the World Bank. This index shows the country's focus on private sector development through the formulation and implementation of related policies and regulations. Annex I provides a deeper insight into the chosen indicator.

Figure 6

Criteria	Indicator	2020	Approval (2022)	Mid-term	Completion
<i>Institutions/Policies for sustainable rural development</i>					
Regulatory Quality Index	Regulatory Quality: Estimate (Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.)	0.2	0.4	0.8	1.0

Source: Worldwide Governance Indicator, WB

The performance of the selected indicator has increased by 0.2 over two years. Assuming a linear progression, we estimate a score of 0.8 by MTR and 1 by completion.

C.3 Criterion: China's Progress towards economic and social development (SDGs)

The eradication of extreme poverty in 2020 marked a significant milestone in China's journey towards economic and social development, aligning closely with the targets set forth by the Sustainable Development Goals (SDGs). This achievement not only reflects China's commitment to addressing poverty but also underscores its broader efforts in promoting inclusive growth and reducing inequality. Since the reform and opening up, a total of 770 million people in the country have been lifted out of poverty. China has not only improved the livelihoods of its citizens but has also made substantial strides towards

achieving several SDGs, including those related to poverty alleviation, quality education, gender equality, and decent work and economic growth. The 2024 Sustainable Development Report⁴² gives China a country score of 70.9%, compared to a regional average of 66.5%. However, while this accomplishment is commendable, it also highlights the need for sustained efforts to tackle disparities between rural and urban areas and ensure the long-term sustainability of development initiatives. The report outlines the status of accomplishment for several SDGs, which have been selected for the purpose of this assessment framework based on areas of weaker performance and aligned with IFAD's comparative advantage and expertise. For SDG 1 (No Poverty), the report indicates that this goal has been "achieved," with a positive trend of "on track or maintaining SDG achievement." This aligns with China's success in eradicating extreme poverty. However, ongoing monitoring will be essential to ensure that higher levels of poverty are adequately addressed. SDG 2 (Zero Hunger) is flagged as "stagnating, with challenges remaining," highlighting an area requiring additional monitoring and support. SDG 5 (Gender Equality) is also "stagnating, with significant challenges." In contrast, SDG 10 (Reduced Inequalities) shows "significant challenges, yet moderately improving."



Furthermore, achieving other SDGs, such as those concerning environmental sustainability and inclusive governance, will require continued collaboration and innovation across sectors to build upon the progress made thus far and create a more equitable and prosperous society for all.

- To monitor progress towards economic and social development (SDGs), a series of indicators under this criterion have been selected. While the "Poverty Headcount Ratio" has been retained from the COSOP guidelines as a tracker for SDG1 (No Poverty) along with "Income Share held by lowest 20%" for SDG 10 (Reduced Inequalities), a diverse range of indicators have been adopted in close consultation with the GoC to track progress towards SDG2 (Zero Hunger), and SDG5 (Gender Quality). These indicators have been selected as deemed most appropriate and relevant to the country context (refer to Annex I). Projections have been made taking into account the baseline targets and ideal targets, as reported in the Global SDG Indicator Database⁴³, for those indicators that are available in the database. For those indicators obtained from other sources, such as open data sources have been used for projection purposes.
- SDG 1, No Poverty.* The indicator "Poverty Headcount Ratio" as percentage of population with a daily consumption level below US\$6.85 a day at 2017 international prices has been selected due to its contextual relevance in the context of the country's poverty alleviation goals. It is paramount to reiterate that in 2020, China accomplished its monumental goal of eradicating extreme poverty. The continued inclusion of this indicator is warranted to uphold the momentum of

⁴² <https://dashboards.sdgindex.org/chapters>

⁴³ Annex 2 of the Asia and the Pacific SDG Progress Report 2024 offers an overview of ideal targets for the indicators available in the Global SDG Indicators Database. https://repository.unescap.org/bitstream/handle/20.500.12870/6659/ESCAP-2024-FS-AP-SDG-Progress.pdf?_gl=1*zzqr07*_ga*MTUyODMwNzIzMS4xNzEzNzc4MzQy*_ga_SB1ZX36Y86*MTcxOTkyMDI4MC4xNC4wLjE3MTk5MjAyODguNTluMC4w#page=38

- progress in this area and to guard against any potential regression. Additionally, its retention serves to strategically position and benchmark China's strides against those of its counterparts, underscoring its commitment to sustained advancement.
- *SDG 2, Zero Hunger.* The "Agriculture Orientation Index" (AOI) for Government Expenditures (AOI) is one the indicators used to measure progress against SDG2, target 2.a. (Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development in order to enhance agricultural productive capacity). The AOI in China has increased from 0.6 in 2001 to 1.2 in 2021. This upward trajectory is indicative of positive developments; however, it also signals the existence of potential opportunities for further enhancement, underscoring the importance of sustained efforts and strategic interventions to capitalize on the positive momentum and address areas where additional advancements can be achieved.
 - *SDG 5, Gender Equality.* To track progress against this SDG, several indicators have been selected. Firstly, the "Gender Development Index" (GDI) measures gender inequalities in achievement in three basic dimensions of human development: health, measured by female and male life expectancy at birth; education, measured by female and male expected years of schooling for children and female and male mean years of schooling for adults ages 25 years and older; and command over economic resources, measured by female and male estimated earned income. It has been selected as it represents a multifaceted metrics on gender development. This metric offers a comprehensive framework that takes into account various dimensions, providing a nuanced understanding of how gender disparities manifest across different aspects of development. This multifaceted approach allows for a more holistic assessment, capturing the complexities and nuances inherent in the pursuit of gender equality and development. Secondly, the indicator on "Proportion of time spent on unpaid domestic chores and care work in a 24 hour day(females, %)" has been selected, as it helps identify patterns of gender disparities and variations across different groups in rural areas. It sheds light on the division of labour within households, highlighting potential inequalities in the distribution of domestic responsibilities between men and women, as well as differences based on age and geographic location.
 - *SDG 10, Reduced Inequalities.* The "Income Share Held by Lowest 20 per cent" indicator, as the percentage share of income or consumption is the share that accrues to subgroups of population-indicated quintiles, stands as a critical metric for assessing the inclusivity and fairness of economic development. By focusing on the well-being of the most economically vulnerable, policymakers can tailor strategies to ensure that growth is not only robust but also socially and economically sustainable.

Table 3 - China's progress towards economic and social development (SDGs)

Figure 7

Criteria	Indicator	Approval (2020)	Mid-term	Completion
<i>Progress towards SDGs</i>				
SDG 1 No Poverty ⁴⁴	Poverty headcount ratio as proportion of population with a daily consumption level below US\$6.85 a day	24.7%	12.1%	10%

⁴⁴ China has established multidimensional poverty standards based on its national context, including income, education, healthcare, housing, and drinking water. By the end of 2020, China achieved the goal of eliminating extreme poverty under the current standards.

	at 2017 international prices.			
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Source: World Bank's World Development Indicators (WDI)

The most recent data from China dates back to 2020. Historical data since 2016 shows a decrease from 34% to 24.7% in 2020 of the poverty headcount indicator. When benchmarking China's score with the aggregate score provided by the WB for Upper-middle Income Countries in 2020 (28.4%), it is noticed that China is well positioned compared to peer countries in the same income group. According to the world bank projection the upper middle income poverty rate (\$6.85 in 2017 PPP) is projected to 12.1% by the COSOP mid-term. This projection could be considered at a mid-term target of the COSOP, with a final estimate of 10% at completion.

Figure 8

Criteria	Indicator	2001	Approval (2021)	Mid-term	Completion
Progress towards SDGs					
SDG 2 Zero Hunger	Agriculture Orientation Index (AOI) for Government Expenditures	0.6	1.2	1.4	1.6

Source: UN Stat, SDGs.

The agriculture orientation index for government expenditures rose from 0.6 in 2001 to 1.2 in 2021.

The Global SDG Indicator Database sets an ideal target of 1 for this indicator. Given China's current score of 1.2, the target appears to have been achieved. To estimate the projected targets for China's Agricultural Orientation Index (AOI) for MTR and completion we applied the compound aggregate growth rate (CAGR) observed over the period 2001-2021. The AOI is projected to be 1.43 (rounded to 1.4) at MTR and 1.64 (rounded to 1.6) at completion.

Figure 9

Criteria	Indicator	2019	Approval (2022)	Mid-term	Completion
Progress towards SDGs					
SDG 5 Gender Equality	Gender Development Index (GDI)	0.957	0.962	0.970	0.998

Source: UNDP GDI Database

The Gender Development Index (GDI) for China has shown a gradual improvement over the years. In 2019, the GDI was 0.957. This increased to 0.963 in 2020 and remained steady through 2021. In 2022, the index slightly decreased to 0.962. Overall, the data indicates a positive trend in gender development, with a small dip in 2022 after consistent growth in the preceding years. Mid-line and endline targets were estimated on the basis of China reaching the mid-point of the Index's group 2 by COSOP MTR (Group 2: countries with absolute deviation from gender parity of 2.5-5 percent are considered countries with medium-high equality in HDI achievements between women and men) and then reaching the lower-end of the group 1 by COSOP completion (Group 1: countries with absolute

deviation from gender parity of 2.5 percent or less are considered countries with high equality in HDI achievements between women and men).

Figure 10

Criteria	Indicator	Approval (2023)	Mid-term	Completion
Progress towards SDGs				
SDG 5 Gender Equality	Proportion of time spent on unpaid domestic chores and care work in a 24-hour day (females. %)	14.6%	14.1%	13.6%

Source: UN Women Data

China has a relatively low burden of unpaid domestic chores and care work, suggesting potentially equitable distribution of such responsibilities or possibly greater access to resources that alleviate this burden, such as domestic help or childcare services. Assumptions for this indicator and estimated targets at MTR and completion have been made based on the 2023 UN Women Data Technical Brief ⁴⁵ on forecasting the time spent in unpaid care and domestic work. While presenting forecasts for the abovementioned indicator across different income groups and regions, the brief acknowledges the limitations inherent to these estimations and forecasts.

Figure 11

Criteria	Indicator	2016	Approval (2020)	Mid-term	Completion
Progress towards SDGs					
SDG 10 Reduced Inequalities	Income Share held by lowest 20 per cent	6.5%	7.2%	8%	9%

Source: WB, WDI.

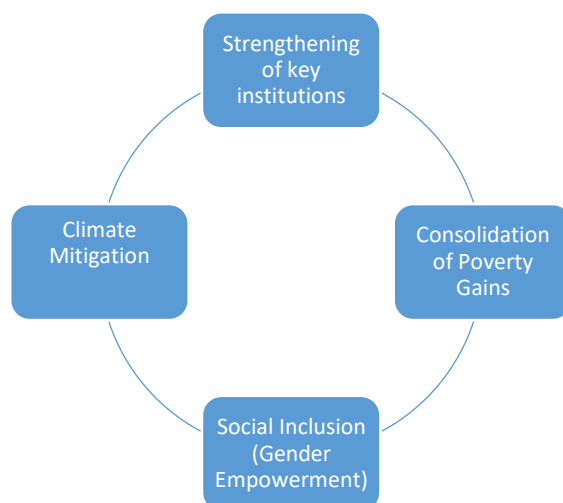
The "Income Share held by the lowest 20 percent" in China has shown a modest upward trend over the years. In 2016, the income share was 6.5%, which slightly decreased to 6.4% in 2017. It then returned to 6.5% in 2018 and increased to 6.7% in 2019. The most significant rise occurred in 2020, with the income share reaching 7.2%. This data indicates a gradual improvement in the income distribution for the lowest 20 percent of the population.

To estimate the projected targets for the "Income Share held by the Lowest 20%" in China for COSOP mid-term and completion, we applied the compound aggregate annual growth rate observed over the period 2016-2020.

Step 3. Identifying development gaps. In addition to defining the proxy indicators, an assessment of the country's performance relative to these indicators was conducted. The objective of this analysis was to identify the weakest areas of development where China is lagging and where IFAD could provide targeted support. The table below visually represents the identified development gaps. While section C provides detailed numerical

⁴⁵ 2023, Forecasting time spent in unpaid care and domestic work. Technical Brief, UN WOMEN
<https://www.unwomen.org/sites/default/files/2023-10/technical-brief-forecasting-time-spent-in-unpaid-care-and-domestic-work-en.pdf>

evidence, the following is a summary of the analysis outcomes for each of the three criteria presented above.



- (i) **The country's ability to access external capital for development at reasonable terms.** The retention of the Country Credit Rating indicator is primarily justified by its role as a proxy for access to internal capital markets. However, as illustrated below, China has ample reserves and strong access to both internal and external capital markets. Consequently, we do not anticipate that the credit rating will be a decisive factor in any future outcome of the transition assessment and the associated graduation prospects.
- (ii) **Progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development.** The analysis of the RSPA proxy indicators, particularly the comparison between the 2021 and 2018 data, reveals several areas that are either stagnant or experiencing a downward trend. Specifically, the stagnation of the overall RSPA score over the years, coupled with the downward trajectory of the two indicators—policies and frameworks, and access to and use of rural financial services—indicates a need for continued support in strengthening key institutions.
- (iii) **Progress towards economic and social development.** The assessment of the proxy indicators under this criterion has revealed several areas where consolidation or additional support is still required. Regarding poverty, despite China eradicating extreme poverty and assessing the poverty headcount ratio against the highest poverty lines, the baseline target indicates a need to further monitor and consolidate these gains. Secondly, the social inclusion dimension, particularly regarding gender equality, highlights the necessity of continued support for gender empowerment. Lastly, China would strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060, alongside the modest performance of the RSPA indicators related climate action, is another area of relevance that will be monitored through the selected RSPA indicators.

Step 4. Transitional scenario and operational implications/engagement with IFAD.

With China's rapid economic growth, the outlook for its future economic prospects has gained greater prominence, prompting questions as to whether it can avoid the so-called 'middle income trap'. This trap refers to a situation whereby a country is experiencing

diminishing returns on its investments for a variety of reasons (such as an aging population, diminishing productivity gains, natural shocks, conflicts...) and, as a result, is unable to reach the highest country income group.

Using the latest available IMF/WEO⁴⁶ data on GDP per capita growth projections, we conducted a simulation to determine the likelihood of such transition to happen during the new COSOP timeframe. The results suggest a high probability of China achieving the High-Income Status (HIC) during the COSOP period. Based on this, we developed two transitional scenarios. The first scenario forecasts China reaching the HIC Status during the COSOP implementation period, while the more conservative low-case scenario projects China remaining an Upper-Middle-Income country during this period.

High-case scenario.

If China achieves high-income status, it will represent a significant milestone in the country's development. This achievement would require a recalibration of IFAD's engagement with the country. However, this a scenario would not preclude China from accessing supplementary finance resources as well as existing or future financial resources earmarked for non-sovereign operations.

In alignment with IFAD's Graduation Policy, should China reach high-income status at any point during the COSOP implementation, it would prompt a conversation with the Government. All relevant transitional information, including lending and non-lending aspects, will be carefully scrutinized and factored in to identify the most meaningful and effective modalities of engagement moving forward.

Low-case scenario.

If China remains an upper-middle-income country (UMIC) during the COSOP implementation period, it will continue to have access to IFAD's BRAM funding window, as confirmed by China's current inclusion in the list of countries eligible for BRAM resources under IFAD13. However, the overall volume of resources to be committed during the COSOP period will be determined in due course, as the availability of BRAM resources and the overall BRAM envelope are determined during replenishment consultations and can vary from one lending cycle to another.

Regarding COSOP priorities and associated products, they are expected to remain highly relevant regardless of the scenarios. This is particularly true for those activities focused on supporting and strengthening key rural institutions and policies for sustainable and equitable socioeconomic rural development, promoting climate smart and environmentally sustainable practices to enhance conservation, restoration and build climate resilience in rural areas. The emphasis on non-lending engagement, currently reflected as a core part of Strategic Objective 3 in this COSOP, will become even more crucial. IFAD will need to be more proactive in policy engagement and in forming new partnerships to better support China's efforts towards a more sustainable green economy and inclusive rural transformation. Additionally, a strong focus on South-South and Triangular cooperation, policy engagement, and knowledge-sharing on SDG2, climate action, and other relevant themes will remain key priorities as IFAD continues to engage with China.

C. Conclusion

In conclusion, this transitional assessment framework serves as a valuable measurement tool for monitoring progress against carefully selected indicators. It is worth reiterating that this set of indicators has been agreed upon with the Government of China and has been chosen with consideration of the country's context, IFAD's unique strengths, alignment with national priorities, and the COSOP's strategic objectives.

⁴⁶ WORLD ECONOMIC OUTLOOK DATABASE, April 2024

The current situation with respects to each of the three criteria outlined in the policy has been thoroughly analysed and determined to be as follows:

The country's ability to access external capital for development at reasonable terms: We do not anticipate that the credit rating will be a decisive factor in the any future outcome of the transition assessment and the associated graduation prospects.

Progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development. The analysis of the RSPA proxy indicators, particularly the comparison between the 2021 and 2018 data, reveals several areas that are either stagnant or experiencing a downward trend. Specifically, the stagnation of the overall RSPA score over the years, coupled with the downward trajectory of the two indicators—policies and frameworks, and access to and use of rural financial services—indicates a need for continued support in strengthening key institutions, such as farmer cooperatives and other farmer-based community organizations.

Progress towards economic and social development. The assessment of the proxy indicators under this criterion has revealed several areas where consolidation or additional support is still required. Regarding poverty, despite China eradicating extreme poverty and assessing the poverty headcount ratio against the highest poverty lines, the baseline target indicates a need to further monitor and consolidate these gains. Secondly, the social inclusion dimension, particularly regarding gender equality, highlights the necessity of continued support for gender empowerment. Lastly, China's commitment to strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060, alongside the current performance of the RSPA indicators related to climate action, is another area of relevance.

Regardless of whether the high-case or low-case scenario materializes, monitoring the selected transition indicators at key stages of COSOP implementation (mid-line and end-line) will enable us to achieve an accurate and realistic portrayal of the country's evolving landscape. This approach will help identify areas in need of additional support, such as enhancing the provision of global and regional public goods. It is worth mentioning that maintaining an adaptive and well-calibrated engagement with China will yield benefits that extend beyond the country's borders. Global development challenges, including environmental and climate-related issues, cannot be addressed effectively without proper engagement with China.

China's growing rural economy and the ongoing transformation of its largeⁱ food systems have a profound impact on global food and nutrition security. IFAD's engagement in China will have a powerful demonstration effect for other developing countries grappling with similar development challenges. Given China's increasing integration with other developing countries in Asia and beyond through trade, investment, and the exchange of ideas, IFAD's evolving in-country engagement will enable it to leverage Chinese know-how and development finance through SSTC. Recognizing this "beyond-China dimension" of the partnership, the new country strategy places greater emphasis on the provision of regional and public goods, an area where IFAD has a proven comparative advantage.

Background note on Exploring Indicators for Monitoring Transitional Pathways in the upcoming China COSOP

Section I

Background and scope of the paper

1. **Background.** The first in-country consultation held in January/February 2024 provided an initial platform for discussion on the development of the forthcoming COSOP for China. The presentation of the main criteria and indicators, in line with IFAD requirements, underscored the interest, relevance and necessity for further in-depth analysis of the set of indicators proposed for the COSOP.
2. **IFAD's corporate policy on COSOP development.** IFAD's corporate policy guiding the COSOP development identifies three main universal criteria to guide IFAD's contribution to the country's success in rural poverty reduction/alleviation and food and nutrition security. These criteria are:
 - (i) **The country's ability to access external capital for development at reasonable terms.** This criterion assesses the willingness of capital markets to lend at certain costs, using publicly available ratings from reputable institutions. The choice of the rating agency is discussed with the government and retained throughout the COSOP cycle.
 - (ii) **The country's progress in establishing and sustaining key institutions and policies for sustainable and equitable socio-economic rural development.** For this criterion, a number of variables are considered within the Rural Sector Performance Assessment (RSPA)⁴⁷ including: relevance and effectiveness of key national institutions for agricultural and rural development, and national policies, strategies and consequent investment programmes for agriculture, rural development and climate/environment adaptation. This criterion is monitored and updated every three years when the RSPA index is generated to capture progress and trends.
 - (iii) **Progress towards economic and social development.** This criterion allows for the selection of a number of Sustainable Development Goal (SDGs) indicators that are most relevant to the specific country context and to IFAD's mandate, as agreed between IFAD and the country.
3. These standardized domains provide an overarching framework to determine the country's overall macroeconomic landscape, including its current access to capital market borrowing, as well as of key institutions and policies requiring strengthening to sustain long-term development. Consequently, the selected criteria allow for an accurate analysis of the projection of the expected trajectory of the country's development towards sustainable development.
4. Within each criterion, the IFAD COSOP Guidelines suggest the use of a suite of indicators, deemed relevant for tracking the country's expected development path and serve to facilitate an open discussion between IFAD and the Government. IFAD's policy encourages the customization of these benchmarks and indicators, ensuring they are country- and context-specific and mutually agreed upon by the

⁴⁷ Section II of the Paper provides further information on the RSPA.

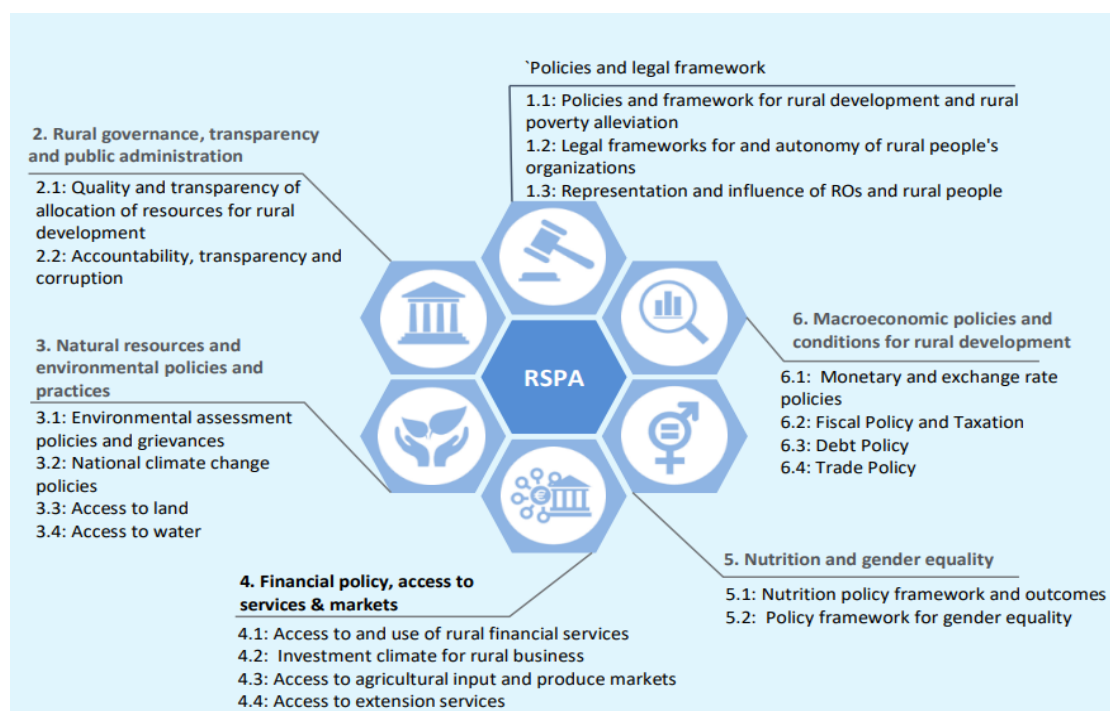
country and IFAD as part of the COSOP design process. Above all, the COSOP development remains a collaborative process between IFAD and the government centred around consensus-building and consultation. The goal is to define a transparent and collectively agreed-upon set of indicators.

5. **Scope of this paper.** Within the framework of the three abovementioned main COSOP criteria, the scope of this paper is to define a transparent and collectively agreed-upon set of indicators. To this end, an in-depth analysis has been undertaken to pinpoint a suite of indicators that exhibit the relevance, in relation both to the country context and IFAD's mandate.

Section II

Approach and Data Sources

6. **Identifying Key Focus Areas.** Based on the tentative Goal and Strategic Objectives outlined in the "Working Paper for the first consultation with the Government" and the verbal feedback provided concerning the outcome of the meeting, three key areas have been identified: (i) innovation; (ii) transition to (high quality) green and low-carbon development in targeted Chinese rural areas; and (iii) SSTC for regional/global engagement.
7. **Conducting Analytical research of relevant data sources to identify the most appropriate list of transitional indicators with contextual relevance.**
8. **Review of IFAD's RSPA.** The IFAD12 Rural Sector Performance Assessment has been carried out by The Economist Intelligence Unit for IFAD. It measures the *quality of policies and institutions in the rural sector of the country for achieving rural development and rural transformation benefitting the poor*. It is designed by IFAD to specifically measure the responsiveness of a country's policies to the needs of poor rural people via a questionnaire containing 19 questions organized around six thematic clusters. To carry out the assessment, the EIU broke down each question into a set of measurable qualitative and quantitative indicators to calculate an overall RSPA score for about 80 countries entering each IFAD lending cycle. The EIU framework includes 106 individual indicators, of which 55 are quantitative and 51 qualitative. Quantitative indicators assess the performance of country policies whereas qualitative indicators assess the presence of an effective policy framework. For each question, a mix of both qualitative and quantitative indicator is used depending on availability. Throughout the assessment, all scores are calculated in relative terms compared to the other countries in the assessment (not to all the countries in the world).
9. The qualitative data in this assessment comes from high-level primary sources including IFAD's documentation, IMF, country strategy documents and government websites in English, French, Spanish, Arabic, and other languages. National legislation and secondary sources have also been consulted in specific limited cases. It should be noted that the qualitative assessment's objective is to provide a high-level comparison of the policy framework across all rated countries, and it is not meant to be exhaustive on each country.
10. The main sources for quantitative data are the World Bank, the EIU, and secondary data for other internationally recognized sources. The most critical step for the EIU in this RSPA has been to create a complete quantitative data set, i.e., without missing values, for all rated countries.

Figure 1. RSPA Framework outline, 2021 RPSA Summary Report (internal IFAD use)

11. As highly relevant to IFAD's work, the RPSA was reviewed to identify a list of indicators with greatest contextual relevance. Its comprehensive nature allows for a sound and thorough assessment of the prevailing policies and institutions within a specific country context. It facilitates a nuanced understanding of the strengths and weaknesses in rural development efforts and enables the identification of key indicators that are pertinent to the unique challenges and opportunities of the country under consideration. Furthermore, the standardized framework of the RPSA promotes international comparability, empowering the benchmark of the country's performance against global best practices and enabling cross-country analyses. Finally, the performance of selected indicators relevant to the country context facilitates knowledge sharing and fosters a collaborative environment where successful strategies can be adapted and applied across borders.
12. **Review of Open Data Sources.** In a quest for precision and thoroughness, the data analysis efforts have been expanded by incorporating insights from open data sources. This strategic approach not only supplements existing datasets but also enriches the foundation for data-driven decision-making, ensuring a more accurate understanding of the landscape. Open data, drawn from diverse repositories such as the World Bank Database, Climate Action Tracker Database, IMF Climate Change Dashboard, FAOStat, SDG Indicators Data Portal and Database, and the National Bureau of Statistics of China, among others, provides greater access to a wealth of information, enhancing our capacity for informed decision-making grounded in comprehensive and reliable data.
13. **Benchmarking with other IFIs.** In fostering collaborative partnerships and seeking synergies to amplify the impact of rural development initiatives, a benchmarking analysis of indicators employed by other International Financial Institutions (IFIs) has also been undertaken. This inclusive examination has drawn valuable insights from the country strategies and proposed indicators of institutions such as the Asian Development Bank (ADB) and the World Bank (WB). It is imperative to emphasize, however, that this benchmarking analysis takes into

account the distinctive character of IFAD as a singularly focused institution dedicated to the rural sector. Recognizing IFAD's unique position allows us to glean relevant and adaptable practices from other IFIs while maintaining a tailored and sector-specific approach to benchmarking, thereby optimizing our strategies for maximum impact on rural development at the grassroots level.

14. **Consolidation of findings.** Following the comprehensive analysis outlined above, a new COSOP table with proposed indicators for discussion has been crafted and is seamlessly incorporated into Section III of the document. This newly developed table supplements the initial version created in accordance with IFAD's COSOP Guidelines. This approach aims at enhancing the document's comprehensiveness, offering stakeholders a comparative view of the proposed indicators based on both the established guidelines and the enriched insights garnered from the in-depth analysis conducted.

Section III

Table 1

15. **Table 1 with proposed new indicators.** Building upon the supplementary analysis undertaken, Table 1 illustrates an additional set of indicators derived from the insights gained. In order to provide clarity on the proposed indicators, those recommended by IFAD's COSOP Guidelines are distinctly highlighted with a blue shading. Notably, any additions or modifications are indicated in red. The accompanying "justification for retention/inclusion/removal" column on the right offers a comprehensive explanation of the alterations made to each indicator, explaining the rationale behind removals, retentions, or introductions of new indicators. All new transitional indicators highlighted in red have been included as considered highly relevant to the country context and overarching national priorities and in line with IFAD's mandate and comparative advantage.
16. **Brief overview of the proposed modifications.** This paragraph provides a concise overview of the proposed changes within each domain. It aims to promote a comprehensive understanding of the rationale behind the adjustments made in refining the indicator framework. More specifically:
- (a) Ability to access external capital for development.** The retention of the Country Credit Rating indicator (row 1) is primarily justified by its role as a proxy for access to internal capital markets. Standard & Poor's is proposed as the credit rating agency, and as of 6 December 2023, it rated China as "A+ with a stable outlook." The selection of Standard & Poor's is based on the agency's reputation for stable and accurate credit ratings, and the recent issuance of the rating in December 2023. However, it belongs to the Government of China to select the credit agency to be used to analyse access to external capital for development throughout the COSOP. Conversely, Moody's was excluded due to the "negative" outlook associated with the A+ credit rating. Similarly, despite Fitch providing a positive credit rating (A+), it was not considered, as their rating was issued in August 2023.
- (b) Progress in establishing and sustaining key institutions and policies for sustainable rural development.** Considering the significance of the proposed RSPA framework, as elucidated earlier, several indicators have been retained, including the Overall RPSA Score (row 2), Policies and Frameworks for Rural Development (row 3), National Climate Change Policies (row 5), and Access to and Use of Rural Financial Services (row 6). Additionally, two new indicators are recommended for inclusion in this domain, specifically: the Environmental assessments policies and grievance mechanisms (row 4), sourced from the RSPA, in line with the country's environmental and climate-related goals, and particularly aligned with its carbon neutrality agenda serving as proxy indicators to track progress against SDG13; and the Regulatory Quality Index (row 7) sourced from open data, as deemed critical for tracking progress in the areas of institutional strengthening and private sector engagement
- (c) Progress towards economic and social development (SDGs).** One indicator outlined in IFAD's COSOP Guidelines has been retained, specifically the indicator on Poverty Head Count (row 8), aimed at monitoring progress toward SDG1: No Poverty. Despite China's notable achievement in eradicating poverty, the decision to keep this indicator is driven by the ongoing efforts to consolidate poverty gains and account for deprivation captured by a higher UMIC international poverty line. In the context of

SDG2: Zero Hunger, the suggested indicator on “Prevalence of Undernourishment” (row 9) has been removed due to its limited contextual relevance. With rural poverty eradicated, significant shifts in monitoring the prevalence of undernourishment are not anticipated. Conversely, a new indicator is proposed to track progress toward SDG2: the “Agriculture Orientation Index (AOI) for Government Expenditures” (row 10). Despite the positive trajectory observed in recent years, monitoring the government's expenditure share on agriculture remains crucial to detecting the country's increasing orientation and focus on the agriculture sector. For *SDG5: Gender Equality*, the removal of the IFAD COSOP Guidelines indicator on Proportion of Parliament Seats held by Women (row 11) is justified by its limited contextual relevance to IFAD's work. This indicator has been replaced with two different indicators, one on the Gender Development Index (row 12) and another one focusing on the proportion of time spent by females on either unpaid domestic chores and care work in a 24 hours day (row 13). Finally, the IFAD COSOP Guidelines suggests the indicator on Income share held by the lowest 40 per cent (row 14) for *SDG10: Reduced Inequalities*. This indicator has been retained as it is crucial for assessing the inclusivity and fairness of economic development. However, a slight adjustment has been made to focus on the income share held by the lowest 20 percent instead of 40 percent to ensure the availability of official data.

Legend

Orange – criteria as per IFAD COSOP Guidelines

Blue – Indicators as per IFAD COSOP Guidelines

Red- Suggested new/alternative indicators.

Table 1: Proposed Indicators for Discussion

Target group engagement	Indicator*	Description	Dataset/source	Baseline	Justification for retention/ inclusion / removal
A. Ability to access external capital for development					
1	Country credit rating	Sovereign credit rating is provided by a credit rating agency, which evaluates the creditworthiness of the issuer (country or government) of debt. Can be used as a proxy for access to international capital markets on reasonable terms.	<i>Open data Source:</i> S&P, Fitch or Moody's	A+ with a “stable” outlook (S&P, 6 December 2023)	Maintained and selected S&P rating as the one offering higher reassurance in terms of the country's creditworthiness.
B. Progress in establishing and sustaining key institutions and policies for sustainable rural development					
2	Rural sector performance assessment	RSPA measures the quality of pro-poor rural development, and rural transformation policies and institutions. Based on a scale of 1 to 6.	<i>IFAD proprietary data Source:</i> Overall RPSA Score RSPA dataset expanded in 2021 for UMICs	4.2	Maintained as the overall RPSA score measures the quality of policies and institutions in the rural sector of the country for achieving rural development and

						rural transformation benefitting the poor.
3		Policies and frameworks for rural development	Assesses whether policies and frameworks are in place for rural development and rural poverty alleviation.	<i>IFAD proprietary data Source:</i> RSPA cluster indicator 1.1 on Policies and legal framework for rural organizations (ROs) and rural people	4.5	Maintained as it showcases the country's good performance and commitment to ensuring policies and frameworks are in place for rural development and poverty alleviation.
4		Environmental Assessments Policies and Grievance Mechanisms	Assesses whether environmental assessments policies and grievance mechanisms are in place for rural development and rural poverty alleviation.	IFAD proprietary data Source: RSPA cluster indicator 3.1.	4.7	Introduced as it showcases the country's ability to strengthen the environmental sustainability and climate resilience of poor rural people's economic activities, in line with IFAD's third strategic objective. Serves as a proxy indicator to measure progress towards SDG13.
5		National climate change policies	Assesses the extent to which the government has a national climate change strategy/policy, and whether cost-effective measures to address climate-related risks are being explored.	<i>IFAD Proprietary Data Source:</i> RSPA cluster indicator 3.2	4.1	Maintained as for the first part of the RSPA indicator on existence of national climate change policies is not expected to change over time. Serves as a proxy indicator to measure progress towards SDG13.
6		Access to and use of rural financial services	Assesses access to rural financial services and priority of financial inclusion.	<i>IFAD Proprietary Data Source:</i> RSPA cluster indicator 4.1	4.3	Maintained as it is a multifaceted metric that directly impacts poverty reduction, economic development, and overall well-being in rural communities. It serves as a crucial gauge of the effectiveness of financial inclusion initiatives and informs strategies to enhance rural livelihoods.
7		Regulatory Quality Index	<u>Regulatory Quality: Estimate</u> (Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector	<i>Open data Source:</i> <u>Worldwide Governance Indicator, WB</u> https://databank.worldbank.org/s	2022: - 0.4 2021: - 0.3 2020: - 0.2	Introduced as it pinpoints the country's focus on private sector development through the

			development. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.)	ource/worldwide-governance-indicators		formulation and implementation of related policies and regulations
C. Progress towards economic and social development (SDGs)						
8	SDG 1: No poverty	Poverty headcount ratio	Percentage of population with a daily consumption level below US\$6.85 a day at 2017 international prices.	<i>Open data Source:</i> World Bank's World Development Indicators (WDI)	24.7%	Maintained in the context of poverty alleviation goals. Extreme poverty has been eradicated in 2020. The retention of this indicator is solely for consolidation purposes
	SDG 2: Zero hunger	Prevalence of undernourishment	Estimated proportion of population whose food consumption is insufficient to provide dietary energy levels required to maintain a normal, active and healthy life.	SOFI table A1.1 (State of Food Security and Nutrition in the World) FAO Stat (Food and Agriculture Organization of the United Nations)	2.5	Removed due to limited contextual relevance. With rural poverty eradicated, significant shifts in monitoring the prevalence of undernourishment are not anticipated.
10	SDG 2: Zero Hunger	Agriculture Orientation Index (AOI) for Government Expenditures	AOI is the Agriculture Share of Government Expenditures, divided by the Agriculture Share of GDP, where Agriculture refers to the agriculture, forestry, fishing and hunting sector. The measure is a currency-free index, calculated as the ratio of these two shares. This indicator measures progress towards SDG2, Target 2.a. on "Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries".	<i>Open data Source:</i> https://unstats.un.org/sdgs/dataportal/countryprofiles/CHN#goal-2	1.2 (2021)	Introduced. AOI has increased from 0.6 in 2001 to 1.2 in 2021. This upward trajectory is indicative of positive developments; however, it also signals the existence of potential opportunities for further enhancement, underscoring the importance of sustained efforts and strategic interventions to capitalize on the positive momentum and address areas where additional advancements can be achieved.
11	SDG 5: Gender equality	Women's participation in leadership	Proportion of parliament seats held by women.	United Nations Statistics Division	24.9 %, 2023	Removed due to limited contextual relevance.

12	SDG 5: Gender equality	Gender Development Index	GDI measures gender inequalities in achievement in three basic dimensions of human development: health, measured by female and male life expectancy at birth; education, measured by female and male expected years of schooling for children and female and male mean years of schooling for adults ages 25 years and older; and command over economic resources, measured by female and male estimated earned income	<i>Open Data Source:</i> UNDP GDI Database https://hdr.undp.org/gender-development-index#/indicies/GDI	0.9 (2021)	Introduced as it is a multifaceted metrics on gender development. This metric offers a comprehensive framework that takes into account various dimensions, providing a nuanced understanding of how gender disparities manifest across different aspects of development. This multifaceted approach allows for a more holistic assessment, capturing the complexities and nuances inherent in the pursuit of gender equality and development.
13	SDG 5: Gender equality		Proportion of time spent on <u>unpaid domestic chores and care work</u> in a 24 hour day(female, %)	<i>Open data Source:</i> a) <i>UN WOMEN DATA.</i> https://www.unwomen.org/sites/default/files/2023-10/technical-brief-forecasting-time-spent-in-unpaid-care-and-domestic-work-en.pdf	14.6 % (2023) - rural areas	Introduced. It has been selected as it related to SDG indicator 5.4.1, in line with the UN SDG Indicator Database.
14	SDG 10: Reduced inequaliti es	Income share held by lowest 20 per cent	Percentage share of income or consumption is the share that accrues to subgroups of population-indicated quintiles.	<i>Open Data Source:</i> World Bank, World Development Indicators	7.20% (2020)	Maintained as it is a critical metric for assessing the inclusivity and fairness of economic development. By focusing on the well-being of the most economically vulnerable, policymakers can tailor strategies to ensure that growth is not only robust but also socially and economically sustainable.

SECAP background study

COSOP SECAP Background Study, including NDC analysis and targeting strategy (SECAP 2021 Edition) – 15 Pages

Introduction

1. The **SECAP background study** serves as a linkage to the overall COSOP by highlighting the gaps and challenges under the thematic topics of social, environmental, and climate change in China.
2. **The objective** of this study is to provide guidance in the formulation of COSOP for mainstreaming climate change, issues of social and economic disparities in elaborating the country strategy. This Social, Environmental and Climate Assessment Procedures (SECAP) builds on the previous COSOP and CPSE and contributes in two strategic ways: Firstly, to assess the environmental and climate change challenges and their effects on agricultural development and rural poverty. Secondly, to align with the new COSOP strategy and address China's new policy which indicates regulatory emphasis on environmental policies⁴⁸.
3. Consequently, the study i) **synthesizes** crucial climate, environmental, social challenges related to IFAD operations, ii) conducts **situation analysis** based on desk review, and iii) **formulates** key recommendations to address these gaps.
4. **Methodology:** Through systematic approach, **data collection**, analysis and interpretation are conducted to inform the COSOP strategically by building on **key recommendations** from **CPSE** on IFAD's comparative advantage on environmental and climate change resilience - including **SECAP 2021 Edition Volumes 1 and 2** as well as overarching IFAD strategy documents such as IFAD Poverty Targeting Policy (2023), Framework for Implementing Transformational Approaches to Mainstreaming Themes: Environment and Climate, Gender, Nutrition and Youth (2019), Environment and Natural Resource Management (ENRM) Policy (IFAD, 2012).

Part 1 - Situational analysis and main challenges

Key messages:

5. **Economic:** China's economy rebounded in 2023, with the GDP exceeding 126 trillion yuan, marking a 5.2% year-on-year increase. However, the projected temperature increases due to climate change, especially under the RCP8.5 emission pathway, pose significant risks to economic stability. Annual losses due to natural hazards average \$76 billion⁴⁹, with around one third of China's agricultural land affected by storms, droughts, floods, land subsidence, and landslides. Balancing economic growth with environmental sustainability is important for China, this requires continued investment in green technologies and sustainable practices to mitigate climate risks and ensure long-term economic resilience.
6. **Environment and Natural Resources:** Climate change poses a substantial threat to China's environment, including biodiversity and natural resources. The projected temperature increases are expected to exceed the global average, with average temperatures in China projected to rise by 2.5°C by the 2050s and 5.2°C by the 2090s,

⁴⁸ Oxford Institute for Energy Studies, February 2024: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2024/02/Chinas-policy-pendulum-shifts-back-toward-environmental-protection.pdf>

⁴⁹ <https://www.china-briefing.com/news/chinas-gdp-in-2023/>

- particularly impacting northern and western regions⁵⁰. Hazards such as droughts, floods, and heatwaves are expected to become more frequent, leading to increased loss and damage that will require more adaptation actions. China faces significant challenges in water resource management due to climate change.
7. **Social and Livelihood:** Through the implementation of national targeted poverty alleviation programme from 2013 to 2020, China was able to lift over 70 million poor rural population out of absolute poverty⁵¹. However, some groups are still vulnerable to sustain and expand the income opportunities. These include five categories of vulnerable smallholder farmer households that required targeted support, (i) households of subsistence allowance, (ii) households of marginal subsistence allowance, (iii) households in extreme difficulty, (iv) former registered poor households under continued monitoring, and (v) low-income households.
 8. **Nutrition:** China's progress in addressing nutrition challenges intersects with broader issues of climate change and food security. While strides have been made in reducing childhood undernutrition, the growing prevalence of overweight and obesity underscores the complexities of dietary shifts amid rapid economic development and urbanization. These dietary changes, characterized by increased consumption of refined grains and meat, pose health risks and contribute to rising rates of non-communicable diseases. Concurrently, climate change impacts pose additional threats to food security, affecting agricultural productivity and exacerbating challenges in ensuring access to nutritious food.
 9. **Agriculture Sectors and Smallholder Farmers:** China's agriculture sector, contributing approximately six percent- of all greenhouse gas emissions, faces significant climate risks. Annual losses from natural hazards average \$76 billion, affecting about one third of agricultural land⁵². Extreme weather conditions, including erratic rainfall and seasonal droughts, reduce crop yields. Climate variability is the main risk for agriculture and food system in China. The increasing severity of extreme weather condition farmers often face erratic rainfall, pests and natural disasters that affect their farm and produce. Climate change exacerbates these difficulties, particularly in regions where warming temperatures accelerate the growth cycle of food crops, ultimately reducing overall production. Because of numerous seasonal droughts, there is a spatial and temporal gap among precipitation and irrigation, which ensuring the adequate challenges in irrigation and water supply.
 10. **Climate Policy Frameworks:** Effective implementation of climate policies is essential for balancing economic growth with environmental sustainability in China. Despite ambitious targets and policies, challenges remain in enforcement and compliance at the local level. China exhibits high rankings in the UNDP Human Development Index (HDI), yet socio-economic disparities persist, particularly among smallholder farmers and rural populations. Policy actions are necessary to reduce these inequalities, requiring strengthened social protection, institutional reforms, and private sector solutions.

⁵⁰ https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15395A-WB_China%20Country%20Profile-WEB_0.pdf#:~:text=URL%3A%20https%3A%2F%2Fclimateknowledgeportal.worldbank.org%2Fsites%2Fdefault%2Ffiles%2F2021

⁵¹ <https://press.un.org/en/2022/gaab4393.doc.htm>

⁵² <https://www.worldbank.org/en/news/press-release/2022/10/12/china-s-transition-to-a-low-carbon-economy-and-climate-resilience-needs-shifts-in-resources-and-technologies>

1.1 Social Economic Situation Analysis

11. **Poverty and vulnerability.** Through the implementation of national targeted poverty alleviation programme from 2013 to 2020, China was able to lift over **70 million**⁵³ poor **rural population out of absolute poverty** despite this achievement some are vulnerable and need to be closely monitored by national anti-poverty system as the population with potential risk of slipping back to poverty. The government has focused on poverty alleviation measures for various regions and demographics, through community upliftment and collaboration. After the declared eradication of extreme poverty in February 2021, the government has redefined the focus support group in its state's well-being register system as vulnerable smallholder farmer households, which constitute of five categories, or: (i) households of subsistence allowance, (ii) households of marginal subsistence allowance, (iii) households in extreme difficulty, (iv) former registered poor households under continued monitoring, and (v) low-income households. Typically, the first three categories lack active labour and they receive welfare allowances from the government. Geographically, the areas with concentrated **vulnerable populations** remain with mid areas, western mountainous area, southwest and northeast areas of the country. (*Refer Annex for expanded information on climate change, NDC, sectoral analysis etc*). Poverty and vulnerable rural populations in **China remain a complex** and continued challenge, due to limited resources and opportunities, lack of labour, health issues and other livelihood shocks. **Smallholder farmer households** in China have very small holdings and **90% of smallholders farm on less than 1 ha of land**. Many of them have adopted a model of part-time management of agricultural production which allows them to alternate between farming in seasons while working in urban areas during off-farming seasons. Given the **peculiar land ownership and use rights pattern in China**, smallholders rent-out or rent-in land based on their livelihood strategies.
12. **China's overall robust economy.** In 2023, China's economy rebounded strongly, with GDP exceeding 126 trillion-yuan, urban job creation surged by 12.44 million, and surveyed urban unemployment rate averaged at 5.2%. Although consumer prices rose modestly by 0.2%, livelihood support remained robust, reflected in a 6.1% increase in per capita disposable income and notable gains in poverty alleviation. Looking ahead to 2024, the government aims around 5.0% GDP growth⁵⁴.
13. Additionally, the **UNDP Human Development Index, 2019-2020 (HDI)** that reflects life expectancy, level of education, and per capita income, ranks China high. However, within this landscape of progress, there are inequalities socio-economic disparities persist, particularly among smallholder farmers and the rural population—the primary focus of IFAD activities. **Tackling inequality of income and opportunity requires policy actions** to reduce **environmental, social, and economic disparities between regions**, and between rural and urban areas. Income redistribution policies **strengthened social protection, institutional reforms**, and private sector solutions are all needed to ensure continued and **inclusive growth** (ADB, 2021).
14. In 2023, **China ranked 107th in the Global Gender Gap Index** with 67.8% gender parity, showing a 0.4 percentage-point decline and dropping five positions compared to 2022⁵⁵. Notably, China achieved 93.5% parity in educational attainment and 81.5% in labour-force

⁵³ https://english.www.gov.cn/policies/latest_releases/2016/10/17/content_281475468533275.htm

⁵⁴ <https://www.china-briefing.com/news/chinas-gdp-in-2023/>

⁵⁵ World Economic Forum. Global Gender Gap Report 2023. Available online:

[//www.weforum.org/publications/global-gender-gap-report-](https://www.weforum.org/publications/global-gender-gap-report-2023/#:~:text=URL%3A%20https%3A%2F%2Fwww.weforum.org%2Fpublications%2Fglobal)

[2023/#:~:text=URL%3A%20https%3A%2F%2Fwww.weforum.org%2Fpublications%2Fglobal](https://www.weforum.org/publications/global-gender-gap-report-2023/#:~:text=URL%3A%20https%3A%2F%2Fwww.weforum.org%2Fpublications%2Fglobal). (accessed on 23 April 2024).

- participation rate, with 11.4% parity⁵⁶ in political empowerment. However, challenges persist, including a low sex ratio at birth and limited progress in reducing gender bias in social norms. The State Council's Programme for Chinese Women's Development (2021-2030) aims to address these issues, emphasizing equality across health, education, economy, decision-making, and social affairs, with initial successes observed in various areas.
15. Official prevalence data on GBV at the national level is available and **UN Women in China** states "**Domestic violence is prevalent** in China and, although the Chinese government and civil society are addressing its adverse impacts, **enforcing policies** and laws to prevent and respond to domestic violence remains a challenge."⁵⁷
 16. **Youth** employment is a focal point in China, highlighted in key governmental documents like the **14th Five-Year Plan for Employment Promotion** and the Government Work Report⁵⁸. The 2023 government work report highlights the importance of promoting youth employment, particularly among college graduates.
 17. **Ethnic Minorities** - There are **55 ethnic minorities in China**, the rights protection of Chinese ethnic minorities has its distinctive characteristics. According to the census data, 1,286.3 million (91.11 percent) of the population is Han and 125.467 million (8.89 percent) of the ethnic minorities are of the Han nationality. Compared with the sixth national census in 2010, the Han population increased by 60.379 million, an increase of 4.93 percent, and the population of ethnic minorities increased by 11.675 million, an increase of 10.26 percent⁵⁹. **Comprehensive safeguards**, focusing on subsistence rights and development rights, the ethnic regional autonomy system as institutional foundation, the implementation pattern based on the combination of equal protection and special treatment are four main features of Chinese ethnic minorities' rights protection. Therefore, they are integrated in the mainstream of the society, and the government applies preferential policies and support to ethnic minorities in social, cultural, and economic development as compared to the majority of Han. With the achievement of **national targeted poverty alleviation programme from 2013 to 2020**⁶⁰ continued attention is given to consolidating poverty reduction achievements and advancing development in ethnic minority areas..
 18. **Marginalised groups: The aging rural population** poses significant challenges for rural development and the nation. With 19.8% aged 60 and above, including 14.9% aged 65 and above⁶¹, these groups face increasing **health risks** and instability in **agricultural income due to climate and market fluctuations**. Moreover, rural elderly has lower level of social security. Despite these challenges, many elderly individuals contribute actively to society through cultural, artistic, or traditional skills, serving as a significant contribution in China's economic and social development.⁶²
 19. In China, there are around 83 million persons with disabilities⁶³. While legislative and administrative efforts have improved their living conditions and social status, challenges persist, there are still many people who face certain difficulties in their lives. The government has **implemented initiatives** such as **employment quotas** and support for

56 <https://www.crchina.org/2023-global-gender-gap-report-of-wef-china-ranks-107th/>

57 UNWomen in China website: <https://asiapacific.unwomen.org/en/countries/china>

58 https://english.www.gov.cn/premier/news/202101/20/content_WS60082e36c6d0f7257694436a.html

59 https://www.stats.gov.cn/english/PressRelease/202105/t20210510_1817185.html

60 <https://www.ohchr.org/en/news/2023/02/committee-economic-social-and-cultural-rights-commends-china-efforts-reduce-poverty>

61 https://www.stats.gov.cn/english/PressRelease/202105/t20210510_1817185.html

62 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9339359/>

63 As per the 2006 Second National Sampling survey on Disability

- welfare enterprises** to enhance opportunities for persons with disabilities, aiming to ensure their full rights and promote equality and participation.⁶⁴
20. **Nutrition** – Over the last few decades, China has made substantial progress towards **reduction of childhood undernutrition** and undernourishment in the total population. The prevalence of **stunting in children** under 5 years of age has **declined** from 7.6% in 2012 to 4.6% in 2022. Similarly, the prevalence of under-5 childhood wasting has seen a decline from 2.3% in 2010 to 1.9% in 2022. As per Global Nutrition Report 2022, China is on track to achieve the global nutrition targets on childhood stunting and childhood wasting. The prevalence of undernourishment in the total population has reduced from 7% in 2004-06 to less than 2.5% in 2020-22⁶⁵.
 21. However, the growing **prevalence of overweight and obesity remains** a pressing concern. The prevalence of childhood overweight has increased from 7% in 2012 to 8.9% in 2022. According to the World Health Organization, childhood obesity is associated with a higher risk of breathing problems and fractures, and a greater chance of disability and premature death in adulthood. A similar trend is seen in the prevalence of obesity in the adult (≥ 18 years) population with prevalence going up from 5% in 2012 to 6.2% in 2016⁶⁶.
 22. This links to **lack of healthy diets**. With rapid economic development and urbanisation, the dietary patterns in China have become more westernised, with increased consumption of refined grains and meat. This trend is visible in both urban and rural areas, where incomes have gone up significantly, with more people purchasing food instead of consuming what their families grew.

1.2 Environment and Climate Analysis

23. **Water:** China faces significant challenges in water resource management due to climate change. The country is witnessing shifts in precipitation patterns and an increase in extreme weather events, leading to both water scarcity in northern regions and flooding in the south. The Yellow River Basin, a crucial agricultural and industrial region, has experienced diminished flow rates, affecting millions. Studies indicate that climate-induced changes in the **hydrological cycle could exacerbate water stress**, impacting over 50% of China's population and 40% of its agriculture⁶⁷. Addressing these issues requires enhanced water conservation efforts, improved efficiency in water use across sectors, and investment in infrastructure to manage variability and ensure **sustainable water supplies**.
24. **Coastal Zones:** China's extensive coastline is vulnerable to the impacts of climate change, including **sea-level rise and increased frequency of storm surges**. Coastal cities, which are economic powerhouses, face threats to infrastructure, ecosystems, and human settlements. Research suggests that a 0.5-meter rise in sea level could inundate thousands of square kilometres of land in the coastal provinces, posing risks to millions of residents and significant economic assets⁶⁸.
25. **Soil Degradation:** Soil degradation, exacerbated by climate change, poses a threat to **China's agricultural productivity and food security**. Increased temperatures, altered

⁶⁴ https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/Session4/CN/CDPF_CHN_UPR_S4_2009_ChinaDisabledPersonsFederation.pdf

⁶⁵ https://www.stats.gov.cn/english/PressRelease/202302/t20230227_1918979.html

⁶⁶ <https://www.who.int/news-room/fact-sheets/detail/malnutrition/>

⁶⁷ World Resources Institute. (2017). China's water stress is on the rise. Available online: <https://www.wri.org/blog/2017/01/china-s-water-stress-rise>(accessed on 23 April 2024).

⁶⁸ IPCC. (2019). Sea Level Rise and Implications for Low-Lying Islands, Coasts and Communities. In: Special Report on the Ocean and Cryosphere in a Changing Climate. Available online: <https://www.ipcc.ch/srocc/chapter/chapter-4-sea-level-rise-and-implications-for-low-lying-islands-coasts-and-communities/>(accessed on 23 April 2024).

- precipitation patterns, and extreme weather events contribute to soil erosion, nutrient depletion, and desertification, particularly in northern China⁶⁹
26. **Agriculture:** The agricultural sector, critical for China's food security and rural livelihoods, is highly vulnerable to climate change. Changes in temperature and precipitation patterns, along with an increase in extreme events like droughts and floods, are expected to affect crop yields and production cycles. Studies project that **wheat, rice, and maize yields could decline up to 20% by 2050**⁷⁰. Implementing climate-smart agricultural practices, developing drought and flood-resistant crop varieties, and investing in agricultural research and development are important for adapting to these challenges and ensuring food security.
 27. **Agriculture and GHG: Smallholder farmers produce** one-third of the world's food and over **80% for China**. A study from Xu Yan et al, indicates that GHG emissions from smallholder grain production exceeds average global levels; and also highlights that synthetic fertilizers were the main source of GHG emissions from all farm inputs ⁷¹. Despite food security and poverty reduction, their overuse of **fertilizers poses severe environmental** and health challenges. Since 1980, China's reliance on chemical fertilizers has driven agricultural progress but now policies need to be strengthened and aligned to curb overuse. A study conducted using detailed economic modelling, found that **appropriate policies** could reduce nitrate and phosphate surpluses by over 50% and 75%, respectively, without harming food self-sufficiency, and could slightly increase average farmer incomes.⁷² Effective policy must enhance both chemical and organic fertilizer efficiency, requiring significant stakeholder involvement.
 28. **Climate change, energy consumption, and livestock production** significantly impact **GHG emissions**, highlighting the need for **sustainable land management** and agricultural practices. Globally, agriculture is responsible for up to 8.5% of all greenhouse gas emissions, among which 14.5% coming from land use change⁷³. China is heavily impacted by the global warming to date determined by historic cumulative carbon dioxide (CO₂) emissions since industrial revolution, while sustaining the livelihoods of over 1.4 billion people. China has been amongst the biggest emitter of CO₂ emissions in 2022, with a total of nearly 31% of the global emissions⁷⁴. Among various sectors, agricultural is regarded as one of the key pillars of energy consumption of total carbon emission (GHG by Sectors (Energy - 76%; Industry Processes 15%; Agriculture 7%; Waste 2%)⁷⁵ of China in 2017 (IEA, 2019). China's total GHG (excl. LULUCF) have increased by 268% (1990–

⁶⁹ Guo, Z.; Huang, N.; Dong, Z.; Van Pelt, R.S.; Zobeck, T.M. Wind Erosion Induced Soil Degradation in Northern China: Status, Measures and Perspective. *Sustainability* **2014**, *6*, 8951-8966.
<https://doi.org/10.3390/su6128951>

⁷⁰ Huang, C.; Li, N.; Zhang, Z.; Liu, Y.; Chen, X.; Wang, F.; Chen, Q. What Is the Consensus from Multiple Conclusions of Future Crop Yield Changes Affected by Climate Change in China? *Int. J. Environ. Res. Public Health* **2020**, *17*, 9241. <https://doi.org/10.3390/ijerph17249241>

⁷¹ Xu, Yan, et al. "Excessive synthetic fertilizers elevate greenhouse gas emissions of smallholder-scale staple grain production in China." *Journal of Cleaner Production* **430** (2023): 139720.

⁷² Van Wesenbeeck, C. F. A., et al. "Can China's overuse of fertilizer be reduced without threatening food security and farm incomes?." *Agricultural Systems* **190** (2021): 103093.

⁷³ <https://ahdb.org.uk/knowledge-library/greenhouse-gas-emissions-agriculture#:~:text=The%20IPCC%27s%20Special%20Report%20on,clear%20land%20for%20food%20production>

⁷⁴ <https://www.statista.com/statistics/271748/the-largest-emitters-of-co2-in-the-world/#:~:text=China%20was%20the%20biggest%20emitter,percent%20of%20the%20global%20emissions>

⁷⁵ <https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-China-Web.pdf>

- 2019), alongside with its epic economic growth out of poverty. In the same period, its total methane emissions (excl. LULUCF) have increased by 66%⁷⁶.
29. **Urban:** Urban areas in China are facing increasing climate-related challenges, including heatwaves, flooding, and air quality degradation. Rapid urbanization and high population density increase the vulnerability of cities to **climate impacts, straining infrastructure and public health systems**. The 2013 Eastern China heatwave, one of the most severe on record, led to significant health emergencies and economic losses. Enhancing urban resilience through green infrastructure, sustainable urban planning, and improved emergency response mechanisms is crucial to safeguarding urban populations and assets against climate risks.⁷⁷
 30. **Climate Related Natural Hazards:** China is categorized as **'High' risk for river floods** by Think Hazard⁷⁸, suggesting the likelihood of life-threatening and damaging floods occurring at least once within the next decade. The risk of urban flooding is also high in the country, emphasizing the need to consider both river and urban flood levels in project planning decisions, project design, and construction methods. All provinces are categorized for high level of urban flood hazard except Xizang Zizhiqu, Guizhou Sheng, Shanxi Sheng, and Jilin Sheng which are categorised as medium⁷⁹.
 31. Likewise, the hazard level is **high for coastal floods and landslides**. All provinces near coastal areas face a high level of coastal flood risk, except for Jilin Sheng, which has a medium risk. Landslide susceptibility is high throughout most of the country, particularly in the southern and western provinces.
 32. **Wildfire poses** a threat throughout the **entire country**, with all provinces rated as high hazard level for wildfires. This indicates greater than 50%⁸⁰ chance of encountering weather conditions conducive to significant wildfires, likely resulting in both loss of life and property, in any given year.
 33. **Water scarcity** is prevalent in the country, with droughts expected to occur on average every 5 years. **Northern and eastern provinces** exhibit a high level of water scarcity. Similarly, the hazard level of extreme heat is also elevated throughout the country. This implies that prolonged exposure to **extreme heat**, leading to heat stress, is anticipated to occur **at least once in the next five years**.
 34. **China's Land Use Atlas:** Arable land is declining nationally, with regional variations, while urban and rural construction areas expand beyond coastal regions, indicating a **decentralization of development toward central and western areas**. The **Qinghai-Tibet Plateau shows notable responses to climate change**, with increased river and lake areas, these are indications of drivers of change between ecosystems and land use changes.⁸¹
 35. China has focused on expanding agricultural land in Xinjiang, enhancing its rank to fifth among provinces in agricultural area coverage (2022). Over the past decade, the region expanded cultivated land by 28.7 million mu⁸², showing government commitment to agricultural growth. China is advancing its national spatial planning with "red lines" for

⁷⁶ <https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-China-Web.pdf>

⁷⁷ "People's Republic of China, 2021–2025 —Toward High-Quality, Green Development" ADB Country Partnership Strategy

⁷⁸ <https://thinkhazard.org/en/report/147295-china>

⁷⁹ Think Hazard. (n.d.). China Overview: River and Urban Flood Assessment. Retrieved from <https://thinkhazard.org/en/report/52-china/FL>.

⁸⁰ A Fire Regime Zoning System for China. Zong, Xuezheng and Tian, Xiaorui and Liu, Jialei. *Frontiers in Forests and Global Change*[J] 2021:4 2624-893X

⁸¹ Land use change in China during the years 2015-2020 Remote sensing mapping and spatial and temporal characterization[J]. *Journal of Geography*,2022,77(5):1056-1071

⁸²https://english.www.gov.cn/news/topnews/202201/11/content_WS61dd3dc4c6d09c94e48a372f.html

ecological protection, permanent farmland, and urban development to **balance growth with environmental sustainability**, prioritizing critical areas for **biodiversity** and **water sources**.⁸³

36. China is an ecologically fragile country, exposed to the degradation of land, water and biodiversity resources, disasters, and the **increasingly tangible impacts of climate change (World Bank, 2021)**. Efforts to protect and rehabilitate ecosystems took off in the mid-2010s with an overall policy shift to green economic growth (IFAD CPSE, 2024).
37. **Agricultural yields tend to decrease** as the temperature increases. Maize yield is expected to decrease by 0.2% below the average over the baseline period of 1986–2006, at 1.5°C of warming and projected to be 27 times greater at 3°C of warming (Climate Transparency 2022).⁸⁴

Part 2. Institutions and legal framework

2.1 Institutions:

38. The **Ministry of Agriculture and Rural Affairs** oversees environmental risks with a focus on **water, soil, gas, crops**, and **animal husbandry**, along with **disaster prevention** and **crop disease control**. The **Ministry of Ecology and Environment** focuses on **pollution prevention, ecological protection, and climate change**, including **greenhouse gas emission** mitigation and **adaptation strategies**. Additionally, the **Ministry of Civil Affairs** manages a **national monitoring** platform for **low-income populations**, aiding in targeted assistance efforts. Furthermore, to address rural revitalization programmes, a **National Rural Revitalization Bureau**, under the Ministry of Agriculture and Rural Affairs, has been established to ensure sustained **poverty alleviation** and **rural development**, with a focus on long-term mechanisms and policy and rural prosperity.
39. The **China International Development Cooperation Agency (CIDCA)** guides foreign aid, including **agricultural development projects** in other countries. Research institutions and universities contribute significantly to policy development and innovation in sustainable practices. For example, the National Center for Climate Change Strategy and International Cooperation, the National Climate Center and the **Chinese Academy of Sciences** leads in **climate change** and **environmental research**, providing **data and insights** crucial for **policy formulation**. Civil society organizations and **NGOs** like Friends of Nature and the China Green Foundation engage in grassroots environmental conservation and awareness campaigns. These institutions have their vertical reach to the county and local level.

2.2 Policy and regulatory frameworks

40. The **Central Government** has **constitutional authority** and is responsible for negotiating **international commitments** and **designing national policies**, for **climate mitigation and adaptation** (local governments are not allowed to conduct para-diplomacy), while **local governments** are mainly responsible for **implementing** these policies although they enjoy a certain degree of flexibility in **formulating locally suited policies**. Institutions, ideas, and interests have played a significant role in shaping the relationship between federalism and climate governance in China. The institutional capacity of central and local governments, along with the five mechanisms, constitutes the **federal structure in climate governance**. The central government's knowledge of science and strategic planning, local governments' expertise, and citizens' awareness of environmental protection help build a growing consensus on fighting against climate change. However,

⁸³https://english.www.gov.cn/policies/policywatch/201911/08/content_WS5dc4c6bcc6d0bcf8c4c16bdb.html

⁸⁴<https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-China-Web.pdf>

- the conflict in policy goals between the national target and local economic growth often hinders the smooth implementation of climate change policies.⁸⁵
41. China's institutional and **legal framework** on **climate change, governance** is structured within a **five-tier bureaucratic hierarchy**. At the apex sits the **Central / National Government**, which holds authority over **Provincial-level Governments**, and subsequently over **Prefectural, County, and Township-level** administrations. Communication typically follows a one-level-up or **one-level-down pattern**, with units of the same rank unable to issue binding orders to one another. The State Council, China's top administrative body, oversees the central government and is managed by the Chinese premier, who directs provincial-level governments. Additionally, the premier is supported by several vice-premiers, each responsible for specific areas such as agriculture and the economy within the governance structure (*refer to Table in Annex*).
 42. The China Securities Regulatory Commission (CSRC) issued the Code of Corporate Governance Guidelines for Listed Companies in June 2018, establishing a framework for Environmental and Social Governance (ESG) disclosure. The Ministry of Ecology and Environment (MEE) released the Measures for Enterprises to Disclose Environmental Information by Law, effective February 8, 2022, requiring five types of enterprises to disclose environmental information. In June 2022, the China Enterprise Reform and Development Society (CERDS) published voluntary disclosure guidelines with three tiers of indicators, aligning with international ESG and IFAD SECAP standards. The banking sector adopted Green Credit Guidelines to direct financing toward environmentally and socially responsible sectors. However, at the rural project level, compliance may be limited due to the small scale of enterprises, thus requiring specific requirements from IFAD programs to ensure alignment with private sector ESG disclosure standards, and also reflected in the IFAD SECAP (ESCOMP) Financial intermediaries risk section.
 43. China's **updated NDC**, submitted in **October 2021**, includes strengthened targets and a new renewable energy capacity goal, while the **Long-Term Strategy** puts forward the basic principles and strategic vision, strategic priorities and policy guidance for China's long-term low greenhouse gas emission development. Despite **the 14th Five-Year Plans' focus on transitioning away from coal towards renewables**, uncertainties persist regarding meeting energy demands and reducing coal and gas reliance. The **National Adaptation Strategies**, published in **2022**, emphasize urgent action to enhance adaptation mechanisms and monitoring capabilities **across all sectors**, aiming to mitigate climate change's adverse impacts on China's economy and society. (*refer Annex for expanded information on NDC, NAP, CBD / Climate Change related Policy frameworks, etc*).

Table 1:
National Climate Policies and Strategies

TABLE 1 Key Climate policies and plans

Policy/Strategy/Plan	Status	Document Access
The 14th Five – Year Plan	Released	March 2021
Nationally Determined Contributions (NDC) to the Paris Agreement	Active	28 th October 2021

⁸⁵ <https://www.cambridge.org/core/books/climate-governance-and-federalism/climate-governance-and-quasifederalism-in-china/EABD456BCFF37F24455ED5367E634A03>

National Climate Change Adaptation Strategy 2035 / (NAP)	Released	June 2022
China's Policies and Actions For Addressing Climate Change(2023)	Released	October 2023
Convention on Biological Diversity (CBD) - NBSAB	Active	March 2014
United Nations Convention to Combat Desertification 2021-2025(UNSDCF)	Released	18 th August 2020
Methane Action Plan (U.S.- China Joint Glasgow Declaration on Enhancing Climate Action) and The Sunny lands Statement on Enhancing Cooperation to Address the Climate Crisis.	Announced	November 2023

Box 1:

- The "**14th Five-Year Plan for National Agricultural Green Development**" prioritizes green agriculture and rural ecological improvement.
- The "**Five-Year Action Plan for the Improvement of Rural Human Settlements (2021-2025)**" aims to enhance rural living conditions and promote environmental sustainability.
- The "**14th Five-Year Plan for the Protection of Soil, Groundwater, and Rural Ecology**" focuses on combating pollution and safeguarding rural ecosystems.
- The **Action Plan for Agricultural and Rural Pollution Control (2021-2025)** targets pollution reduction and green development in rural areas.
- The **Northeast Black Soil Conservation Tillage Action Plan (2020-2025)** promotes conservation tillage for sustainable agriculture in the northeast.
- **China's Climate Change Policies** prioritize green development, pollution reduction, and carbon neutrality.
- The **National Strategy for Climate Change Adaptation 2035** aims to build resilience and mitigate risks while fostering sustainable development.
- The **Implementation Plan for Carbon Reduction in Agriculture and Rural Areas** outlines strategies for carbon reduction and rural development.

2.3 Programmes and partnerships

44. The initiatives led by various ministries and agencies in China reflect a comprehensive approach to addressing climate change and sustainable development. Led by the **Ministry of Agriculture and Rural Affairs**, efforts to expand agriculture's multifunctionality prioritize food security while enhancing rural industries. Joint plans by the **Central Committee and the State Council** focus on rural construction actions, aiming to elevate rural infrastructure and public services. Guided by the **Ministry of Ecology and Environment, biodiversity conservation strategies** emphasize ecological preservation and restoration. Additionally, addressing climate change challenges, the Ministry of Ecology and Environment's strategy outlines comprehensive actions to strengthen climate resilience. Efforts to develop human resources and social security, led by the **Ministry of Human Resources and Social Security, prioritize** employment expansion and skill enhancement. Lastly, national nutrition plans, designed by the **General Office of the State Council**, include a range of actions to improve the health of vulnerable populations, promoting healthy lifestyles and addressing nutritional challenges. (*refer Annex for expanded list of Partners and Programmes in China*).

45. **Major Development partners presence in China:** Development partners have played a significant role in supporting China's sustainable development efforts across various sectors. Table below gives a list of relevant MDB's and Climate Funds working on climate change mitigation and adaptation - environment, agriculture, and natural resource management sectors.

Name of Partners	Projects	Focus
Asian Infrastructure Investment Bank (AIIB)	Shaanxi Ankang Green and Low-Carbon Demonstration Urban Development Project, Henan Flood Emergency Rehabilitation and Recovery Project	Environmental conservation, climate resilience, public health, and rural development.
Asian Development Bank (ADB)	Wetland ecological restoration in Hunan, climate change adaptation planning in the Yellow River Basin	Climate change mitigation and adaptation, natural resource management, and low-carbon transport.
World Bank	China Green Agricultural and Rural Revitalization Program for Results	Air pollution, sustainable agriculture, NRM, and Climate-Smart Agriculture.
New Development Bank (NDB)	"Bank of Huzhou Sustainable Infrastructure Project"; BoCom Financial Leasing LNG Transportation Project"; "Liaoning Environmentally Sustainable Urban Development Project"; Shengzhou Urban and Rural Integrated Water Supply and Sanitation Project (Phase II)"	Urban development, clean energy transportation, and improving water sanitation
Green Climate Fund	Jiulong River Basin Comprehensive Management Sub-project (Phase I)	Climate Finance, climate action, Pvt finance for mitigation and adaptation actions

(Refer Annex for expanded list of Development partners scope and strategies in China).

Part 3 - Strategic recommendations

3.1 Lessons learnt.

46. IFAD's CPSE report notes the integration of **Agrobiodiversity** and **sustainable land management** into COSOP 2016 projects, but **lacks evidence** for environmental outcomes, particularly regarding water resources and natural resource management. Strengthening **monitoring and evaluation frameworks** is essential to ensure project effectiveness and sustainability. Moving forward, **key actions** should focus on strengthening **climate information services**, as outlined in previous projects such as **H2RDP** and **Y2RDP**.
47. Aligning **climate finance strategy** with COSOP 2024, IFAD should **leverage China's substantial green finance** to enhance the **climate finance portfolio, and to reach IFAD's corporate targets of 40%** climate finance under IFAD12: while creating a pathway for IFAD 13. IFAD should prioritize **integrating climate-related risks** into **policy frameworks** and **market mechanisms** to safeguard financial stability and sustainability of projects that are being designed and implemented on the ground.
48. The new COSOP will provide an opportunity to develop a clear vision for the longer-term strategic partnership with China. **Project design** and implementation can take full consideration of **social, environmental, and climatic impacts** and deploy/implement required interventions to mitigate perceived environment and climate risks.

3.2 Strategic orientation

49. **UNDAF:** In alignment with the three Strategic Priorities outlined in the 2021-2025 United Nations Sustainable Development Cooperation Framework (UNSDCF) for China, the **Country Strategic Opportunities Programme (COSOP)** for China by **IFAD should strategically focus** towards supporting China's development priorities. This includes

- fostering **innovation-driven**, coordinated, and inclusive development (Priority 1), promoting **green development** for a sustainable environment (Priority 2), and enhancing **international partnerships** for global SDG acceleration (Priority 3). Promoting South-South cooperation and humanitarian assistance involves prioritizing social, environmental, and climate sustainability while sharing development lessons and experiences from China's development paths and country programs.
50. There is an **opportunity for IFAD** to contribute to China's goal of striving to achieve carbon neutrality before 2060 (and thus, contributing to the global challenge to climate change) by supporting **emission control and reductions in agrifood systems** and promoting the potential of **land use, land use change, and forestry as carbon sink**. This would be in line with strategic objective of **SECAP for China mentioned in CPSE (environmental and climate resilience)**.
 51. **Rural Industrial Development:** Industrial revitalization is key to rural revitalization, as emphasized in the 2023 Central Rural Work Conference. By leveraging agricultural resources and developing industries like "one village, one product," China aims to strengthen rural economies. IFAD will support this effort, focusing on community health, safety, and improving labor conditions as part of its SECAP initiatives.
 52. **Green Agriculture:** China prioritizes green and low-carbon agricultural practices to bolster rural revitalization and promote ecological sustainability. Emphasizing the construction of an "ecological civilization", efforts are directed towards slowing land degradation, improving farmland ecology, and reducing agricultural non-point source pollution. Key strategies involve investing in green agricultural research, promoting biogas technology, and advancing livestock and poultry manure utilization. The aim is to develop a sustainable rural ecosystem that adheres to green production principles and fosters resource recycling, in compliance with SECAP requirements (resource efficiency and pollution prevention risk)
 53. **Green Finance Integration:** China mainstreams climate change and environmental sustainability into its development agenda. Over 70% of the GEF's portfolio in China targets environmental objectives, while a significant portion of IFC investments support climate-friendly initiatives. Looking ahead, China plans industrial projects to advance green agricultural development, aligning with NDC targets and National Strategy for Climate Change Adaptation integrating climate considerations into policy and investment frameworks. Innovative financing mechanisms covering climate finance such as Results Based Lending (RBL), Climate Policy Based Lending (PBL) can also be explored subject to country preference.
 54. **Climate-Smart Agriculture:** Recognizing climate-smart agriculture (CSA) as a pivotal solution to climate change and food security challenges, China advocates for its rapid adoption. Integrating variety breeding, digital empowerment, and intelligent equipment, the country aims to establish a modern smart ecological agricultural system.
 55. **Agricultural Data Platform:** IFAD contributes to rural development through the establishment of regional agricultural big data platforms. These platforms facilitate knowledge dissemination, promote precision agriculture, and enhance agricultural services for smallholder farmers. By encouraging socialized service organizations and information enterprises, IFAD could aim to reduce barriers to accessing smart agricultural technologies and services.
 56. **Strengthening Rural Institutions, Communities and Youth:** Efficient rural institutions are essential for promoting inclusive and sustainable agrifood systems. By enhancing collective action, participatory governance, and policy frameworks, China aims to promote equitable resource allocation and drive rural transformation. Strengthening grassroots women's organizations and empowering rural youth are integral to fostering inclusive rural development.

57. **Private Sector Engagement:** Private enterprises are crucial for rural revitalization by leveraging local resources and driving investment. China encourages these enterprises to integrate into the rural revitalization strategy, promoting green, low-carbon development. Strengthening financial support for leading enterprises and fostering closer collaboration between enterprises and farmers are key aspects. IFAD programs can aid in promoting ESG disclosure among private sectors, ensuring all private enterprises in IFAD projects adhere to these requirements and implement ESCMP, with routine monitoring by project management and relevant government entities.

3.3 Strategic actions and targeting

58. The **application of environmental and social safeguards in IFAD's projects** in China has **been minimal** a systematic approach, with social safeguards only recently starting to be considered in the most recent projects following well articulated standards and procedures. This approach has impacted the identification of opportunities to enhance positive environmental and social project impacts. **IFAD's Social, Environmental and Climate Assessment Procedures (SECAP)** were introduced to the China portfolio in 2016, focusing primarily on environmental and climate change adaptation aspects. However, the **SECAP initially lacked consideration of social dimensions** and did not address engaging with communities adequately during project design, particularly regarding land consolidation processes. Moving forward, it is crucial for **IFAD to integrate social safeguards** comprehensively into **project planning and design**, ensuring fair and equitable benefits for all stakeholders, particularly local communities. Additionally, conducting potential **land tenure assessments** and enhancing community engagement through **Stakeholder Engagement Plans (SEP)** will contribute to more impactful and sustainable project outcomes. **Capacity building for SECAP compliance** shall be built in all project designs.

Recommendation 1: Building from the CPSE the following recommendations for 2025 COSOP should establish IFAD's comparative advantage on environmental sustainability and climate change resilience.

59. **Alignment with National Policies:** IFAD should ensure that its support aligns with China's national policies on climate-smart agriculture. By integrating climate objectives into its interventions.
60. **Knowledge Sharing and SSTC:** IFAD should enhance its positioning in China's climate change adaptation landscape through knowledge-sharing initiatives and South-South Technical Cooperation (SSTC). By fostering collaboration and capacity-building opportunities.
61. **Green / Climate Finance:** IFAD should focus on China's significant investments in green finance by aligning and prioritizing rural communities and also linking activities to carbon markets. This approach will ensure that IFAD's interventions resonate with China's broader green finance initiatives and contribute to sustainable rural development.
62. **Agrobiodiversity and Sustainable Land Management:** IFAD should increase its focus on conservation of agrobiodiversity and promoting sustainable land management practices. By addressing key challenges highlighted in China's forestry and biodiversity policies, IFAD can contribute to the conservation of natural resources and enhance resilience in agricultural communities.
63. **Strengthen Technical Capacity:** IFAD should collaborate with government agencies and research organizations to strengthen technical capacity for climate change adaptation. This includes conducting localized vulnerability assessments and developing nuanced approaches tailored to the diverse realities of agricultural communities in China.
64. **Agricultural Waste Utilization:** Efficiently utilizing agricultural waste is essential for rural ecological sustainability and carbon neutrality. China focuses on promoting livestock and

poultry waste utilization, developing ecological aquaculture models, and improving soil organic matter.

65. **Carbon Neutral Initiatives:** China puts forward green transformation in agriculture to achieve dual carbon goal and promote sustainable development. Initiatives include establishing carbon-neutral demonstration parks and innovating national agricultural product certification platforms. By setting global benchmarks and embracing green practices, China aims to lead in agricultural emission reduction and carbon sequestration.
66. **Rural Infrastructure Development:** Accelerating rural industrialization and infrastructure development is essential for balanced urban-rural development. China promotes integrated rural development, enhances public infrastructure, and prioritizes rural beautification projects.

Recommendation 2: Integrate mainstreaming areas in policy and programmes (gender, youth, minorities, nutrition, environment, and climate)

67. **Focus on Smallholders:** IFAD should clearly establish its comparative advantage in sustainable natural resource management and climate change resilience, targeting marginalized areas and smallholder farmers. This focus will address existing gaps in China's adaptation mechanisms.
68. **Women's Development and Youth Employment:** Empowering women and engaging youth by providing training, capital support, and institutional backing, China aims to enhance women's participation in agricultural and social activities while fostering youth entrepreneurship. Initiatives like the "leading geese" training plan and the "swallow homecoming" project encourage youth involvement in rural businesses and cultural endeavours.
69. **Promotion of Healthy Diets:** To address issues of obesity and non-communicable diseases (NCDs) in China, it is important to work towards strengthening the food systems towards improved availability and consumption of healthy diets that are local, diverse and nutritious. Additionally, strong behaviour change communication (BCC) strategies need to be adopted to sensitise the communities towards harmful effects of processed foods and importance of consuming a balanced diet, integrating specific recommendations from Traditional Chinese Medicine (TCM) on what constitutes a healthy diet.
70. **Inclusive Socialization:** Cultivating inclusive socialization is key for rural revitalization and social cohesion. China advocates for fair policies, diverse educational opportunities, and increased social interaction. Strengthening legal frameworks and enhancing information exchange platforms are essential for promoting mutual understanding and trust among diverse social groups.

3.4 Monitoring

71. This section presents appropriate monitoring and feedback mechanisms and proposes key performance indicators for gender, youth, ethnic minorities, nutrition and environment and climate that the COSOP can incorporate. A stakeholder consultation plan should be agreed with government and other relevant stakeholders on the mainstreaming areas.
72. Project monitoring involves the borrower/recipient/partner and IFAD, focusing on social, environmental, and climate measures outlined in management programs and documents. High-risk projects require regular monitoring, potentially involving independent experts. Non-compliance with SECAP requirements requires mitigation actions, overseen by IFAD and national authorities. Any significant changes or impacts must be promptly reported to IFAD, with corresponding mitigation plans. Legal remedies are available for extreme cases of non-compliance. Risk classification and management plans are continuously monitored and updated throughout the project lifecycle.

73. The project's monitoring and evaluation (M&E) framework prioritize gender, youth, and poverty data disaggregation. Led by the Project Management Unit (PMU) and coordination committees, M&E activities involve implementing partners and stakeholders to ensure comprehensive oversight.
74. SECAP-related monitoring aligns with the Environmental and Social Compliance Monitoring Plan (ESCMP).

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Annex: Further Information and Readings for Each Section

Part 1 - Situational analysis and main challenges

China's average temperature and sea levels have risen faster than the global average, according to a 2020 report from China's National Climate Center. Future predictions of China will experience more frequent extreme weather events, such as heavy rainfall. Every year, natural disasters kill hundreds of Chinese people and destroy millions of acres of crops. As temperatures rise, China's glaciers will continue to melt at an alarming rate, which will likely lead to more devastating floods. Extreme heat events and droughts will also become more common.⁸⁶

Climate change will increase pressure on land and water while reducing yield growth, except for only a few regions, and China is no exception. Although China, has taken proactive steps towards addressing climate change, recognizing it as a critical component of sustainable development and fulfilling its global commitments. Climate action is not merely in response to external pressures but embedded from China's own initiative, integrating it into broader efforts to promote development, address ecological issues, and foster global cooperation.

China updated its Nationally Determined Contributions (NDC) in 2021 and reported on the positive results achieved from the previous NDC, it identifies the impacts of climate change in areas such as agriculture, water resources, ecosystems, coastal areas, and human health as priority concerns. Despite global challenges such as unilateralism and protectionism affecting climate governance, China remains resolute in its commitment to address climate change and promote equitable, reasonable, cooperative, and win-win global governance. Through post-pandemic economic recovery, China sees an opportunity to advance high-quality development and green, low-carbon initiatives, leveraging international cooperation for sustainable development⁸⁷ UNFCCC – NDC China. This includes rapid onset and long-term changes in key climate parameters, as well as impacts of these changes on communities, livelihoods and economies, many of which are already underway. This is a high-level synthesis of existing research and analyses, focusing on the geographic domain of China, therefore potentially excluding some international influences and localized impacts. The core data presented is sourced from the database sitting behind the World Bank Group's Climate Change Knowledge Portal (CCKP), incorporating climate projections.⁸⁸

China has increased efforts to expand its forestry and grasslands, in part due to their role in achieving the country's carbon peaking and carbon neutrality targets. The government has implemented various domestic forest conservation and afforestation policies, and in the 14th FYP, it has set a target to plant 36,000 km² of new forest annually until 2025 to increase the country's forest coverage (NGFA of China, 2021). Internationally, China has increased its forestry pledge and signed the Glasgow Declaration on Forest and Land Use and separate joint agreements with the EU and the US on reducing deforestation. China chaired the UN Biodiversity Conference in Montreal in 2022, contributing to the adoption of the Kunming-Montreal Global Biodiversity Framework, which contained 23 separate targets to achieve by 2030.⁸⁹ [Climate Action Tracker](#)

⁸⁶ [China's Fight Against Climate Change and Environmental Degradation | Council on Foreign Relations \(cfr.org\)](#)

⁸⁷ [附件 \(unfccc.int\) NDC China](#)

⁸⁸ Opitz-Stapleton, S., & Yinlong, X. (2016). *Climate risk and resilience in China*. Routledge.

⁸⁹ [Policies & action | Climate Action Tracker](#)

China aims to build a nationwide climate impact and risk assessment system by 2035 and will require major projects to include climate in environmental impact assessments. It will also boost its early-warning capabilities. Melting permafrost, retreating glaciers and expanding ice lakes have already disrupted water supplies, and rising coastal sea levels have also raised flooding risks, the document warned. Investments are being made to strengthen monitoring at rivers and lakes to boost flood control and improve water supply security. It will also reform water prices and impose binding consumption targets in key regions. It aims to cut water intensity - the amount used per unit of economic growth - by 16% over 2021-2025.⁹⁰

1.1 Climate Change Impacts

Sectoral Challenges:

Forest and Biodiversity: China joined the forestry declaration at COP26 on November 2, 2021, committing to halt and reverse deforestation by 2030. While such a commitment is not part of China's NDC, the document contains a target to increase the forest stock volume by 6 billion cubic meters from the 2005 level.⁹¹ China's government and the National Forestry and Grassland Administration (NFGA) have increased efforts on expanding the country's forestry and grasslands, in part due to its slated role (as carbon sinks) in striving to peak China's carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060 targets. China's LULUCF sector, including forestry, represented a carbon sink of approximately 1.3 GtCO₂e/year according to the latest national inventory for 2018 (Government of China, 2023). The government is prioritizing to achieve these National objectives with follow up actions and plans. In 2020, China revised its Forest Law in 20 years, with the most significant policy change being the implementation of a ban (in effect as of July 2020) on Chinese companies purchasing, processing, or transporting illegal logs (Client Earth, 2020; Mukpo, 2020).

Water Security: Currently, China faces water scarcity, especially in agricultural water use and severe non-point source pollution. China's total water resources account for only 6% of the world's total, with per capita availability being one-fourth of the global average. Agricultural water consumption is approximately 360 billion cubic meters, with the water usage ratio decreasing from 69.7% in 1997 to around 61.3% currently, resulting in a reduction of 20 billion cubic meters. With population growth, particularly the accelerated processes of industrialization and urbanization, the water issues between industries and agriculture, as well as between urban and rural areas, have intensified, making it challenging to ensure irrigation water for agriculture. Currently, the irrigated area in the country is 905 million hectares, with a water deficit of over 30 billion cubic meters. Among the 905 million hectares of irrigated area, only 44.3% are equipped with water-saving infrastructure. Among the 2.3 billion hectares of crop sown area, only 17.4% utilize agricultural water-saving techniques. China's agricultural water utilization efficiency is 20 percentage points lower than that of developed countries. The coordination between water and land resources in China is inadequate, with water resources being abundant in the south and scarce in the north, while the distribution of arable land is the opposite. This mismatch between water and land resources leads to water scarcity and wastage. Overuse has led to severe shortages, and industry along China's major water sources has polluted supplies. Construction of hydropower dams along major rivers has also been a concern of its impacts on ecosystems. The government released a plan in 2015 for preventing water pollution that included placing

⁹⁰ [China vows to adapt better to climate change as risks soar | Reuters](#)

⁹¹ [Policies & action | Climate Action Tracker](#)

controls on polluting industries. The quality of surface waters—bodies such as lakes, rivers, and streams—has since improved. However, groundwater continues to fall short of targets, with more than 80 percent categorized as “bad to very bad.”⁹²

Agriculture: China's government has begun to articulate its adaptation policy and to identify measures to adapt the nation's agriculture to changing precipitation patterns, higher temperatures, and extreme events. These developments are occurring at a time when the agricultural sector is in flux: while the major grain crops—rice, wheat, and corn—are still central to food security, many smallholder farmers have shifted away from land-intensive production to growing higher-value, labour-intensive horticultural products, such as fruit and vegetables. However, existing science and policies are not integrated together in national and international policy frameworks. There is a need and scope for IFAD to address these issues and minimize the gaps to the extent possible.

Long-term strategies for sustainable agriculture underscore the necessity of soil improvement mechanisms, particularly focusing on organic matter content and fertilizer efficiency, a evidence based research⁹³ revealing regional disparities in soil organic carbon across China's agricultural regions. Concurrently, recent years have witnessed a declining trend in pesticide and chemical fertilizer usage, with significant increases in organic fertilizer application and alternative fertilizer adoption, reflecting a shift towards more environmentally friendly practices. Despite progress, challenges persist in agricultural waste utilization, with substantial reliance on fertilizers and feed derived from such waste. These challenges encompass inadequate policy frameworks, technological constraints, and market dynamics, hindering optimal resource utilization. Thus, while advancements have been made, addressing these obstacles remains imperative for achieving sustainable agricultural practices.

Climate change has significantly impacted agriculture, increasing heat resources, altering crop growing conditions, and extending growing seasons. However, it has also intensified agricultural pests and diseases, degraded farmland environments, and exacerbated water supply challenges. Adaptation measures include optimizing crop distribution, developing stress-resistant varieties, adopting low-carbon water and fertilizer management, enhancing pest control, and improving early warning systems. These strategies aim to foster sustainable agricultural development amidst changing climatic conditions.

Methane control: China released a national methane action plan in November 2023.

Methane is a significant source of GHGs emissions in the country—surpassing 1.4 GtCO₂e/year since 2020 according to our estimates—split between the energy (~47%), agriculture (~39%) and waste (~14%) sectors. China's updated NDC does not have explicit reduction targets for non-CO₂ gases, though Measure 13 outlines their goal to accelerate control of these gases and phase out HFC gases under the Kigali Amendment.⁹⁴

1.2 Socio-economic situation and underlying causes

Grain output has been stable. Since the 18th National Congress of the Communist Party of China, China's grain production capacity has been steadily improved. In 2023, the country's total grain output was 695.41 million tons, an increase of 8.88 million tons or 1.3% over the previous year, and it has remained stable at more than 650 million tons for 9 consecutive years. In 2023, the national grain sowing area was 1.785 billion mu, an increase of 9.546 million mu or 0.5% over the previous year. Maize production increased, while wheat

⁹² [China's Fight Against Climate Change and Environmental Degradation | Council on Foreign Relations \(cfr.org\)](#)

⁹³ Research conducted by Zhang Fusuo's team at China Agricultural University has demonstrated the changing characteristics of soil organic carbon (SOC) in agricultural fields across China's nine agricultural regions

⁹⁴ [Policies & action | Climate Action Tracker](#)

and rice production declined. In 2023, the national cereal output was 641.43 million tones, an increase of 8.185 million tons or 1.3% over the previous year. Among them, the output of rice was 206.6 million tons, a decrease of 1.89 million tons or 0.9 percent over the previous year, the output of wheat was 136.59 million tons a decrease of 0.8 percent over the previous year, and the output of corn was 288.84 million tons, an increase of 4.2 percent over the previous year. Grain production increased in most provinces. Of the country's 31 provinces (autonomous regions, municipalities), 27 increased grain production. Among them, Xinjiang has increased its cropping structure by adjusting its planting structure, optimizing the allocation of water resources, increasing the cultivated area, and greatly increasing the sown area, which has affected the increase in grain output by 3.05 million tones; Shandong, Jilin, Sichuan, Liaoning, Inner Mongolia, and Anhui have all increased grain output by more than 0.5 million tones.⁹⁵

Particularly on **gender equality** and women's empowerment, in 2023 China ranks **107th in the Global Gender Gap Index** and has achieved 67.8% gender parity. Compared to 2022, this represents an 0.4 percentage-point decline in score and a decline of five positions in rank. China is at 93.5% parity on Educational Attainment, with full parity on tertiary education. On Economic Participation and Opportunity, China has closed 72.7% of the gender gap and attains 81.5% parity in labour-force participation rate. It also secures 11.4% parity on Political Empowerment, with 4.2% women ministers and 24.9% women parliamentarians. China continues to have one of the lowest sex ratios at birth (89%), affecting parity levels on the Health and Survival subindex (93.7%, 145th)⁹⁶. As per the Gender Social Norms Index Report 2023, the share of people with no bias in gender social norms improved in 27 countries between 2010–2014 and 2017–2022, with less than 5% improvement in China resulting in 91.81% (share of people with at least one bias). According to the results of the seventh national population census, the female population in China is 688.44 million, accounting for 48.76%. During urbanization, the structure of agricultural labor force in central and western provinces in China has changed, while women are arranged for housework and taking care of the elderly and children by gender division of labor, resulting in more women remaining in the agricultural field. On one hand, such labor division gives rural women household decision-making power from absentee leadership, which promotes rural women's self-emancipation. While increasing the unpaid working time of rural women, their economic status has not been changed, they are still excluded from emerging technologies and agricultural promotion. The Fourth Survey on the Social Status of Chinese Women (2020) showed that rural women played more important role in economic and social development than 10 years ago. Among rural women, 28.9% are employed by non-agriculture sector, 37.8% had experience of migrant work out of rural areas, and 52.6% of women who returned back to rural from urban migrant work engaged in non-agricultural labor. The average years of schooling of rural women in western China reached 7.44 years, while that of eastern China was 0.61 year more. 87.5% of rural women participated the election of villagers' committee, and about 1/3 of rural women with age between 18 - 34 would like to run for villagers' committee membership in the future. In 2021, The State Council issued the Programme for Chinese Women's Development (2021-2030) seeking to advance equality between women and men along eight priority areas, namely health, education, economy, participation in decision-making and management, family building, social security, environment and law. It also pointed out the challenges of women's development including, (i) gaps in women's development between urban and rural areas,

⁹⁵ https://www.gov.cn/lianbo/bumen/202312/content_6919546.htm

⁹⁶ The Global Gender Gap Index benchmarks national gender gaps on economic, political, education and health criteria. Source: World Economic Forum, the Global Gender Gap Report 2023.

regions and groups, and more efforts should be made to improve rural women's livelihood, especially in less developed areas; (ii) women still face practical difficulties in ensuring their equal rights in employment, personal property, marriage and family; (iii) the level of women's participation in the management of economic, cultural and social affairs needs to be comprehensively improved; (iv) various forms of discrimination against women exist to varying degrees, the concept of gender equality needs to be further popularized, and the social environment for women's development needs to be further optimized. However, the statistic monitoring of the National Programme showed that the first year of the implementation was successful, women's health level continued to improve, the level of education steadily increased, women's economic and social status continued to improve, the scope of social security continued to expand, and the legal protection system further improved.

Youth - Young people are a new force in the labor market, and their employment status is related to the future of the country, so they have long been highly valued by the Party and the government, and the importance of youth employment has been emphasized many times in important documents such as the 14th Five-Year Plan for Employment Promotion, the Government Work Report in recent years, and the report of the 20th National Congress of the Communist Party of China. The 2023 government work report emphasizes the need to "put the promotion of employment of young people, especially college graduates, in a more prominent position, and effectively ensure the basic livelihood of the people". The increasing attention to youth employment issues indicates the government's commitment to promoting youth employment.

Rural youth find it difficult to integrate into urban areas after migrating for work, and due to limited employment options, most engage in time-consuming and labor-intensive jobs. In the context of rural revitalization, local government departments have introduced policies to actively attract young people returning to be employed or start businesses, and the returning youth expect to realize the stable life through local entrepreneurship or employment. However, how to embed entrepreneurship and employment opportunities of returning youth in the development of local rural industries is a critical issue.

Marginalised groups - The ageing of the rural population is an important issue related to the development of rural areas and the country as a whole. According to the 2022 national population change sampling survey system and survey data, at the end of 2022, the population aged 0-15 was 256.15 million, accounting for 18.1% of the national population, the working-age population aged 16-59 was 875.56 million, accounting for 62.0%, and the population aged 60 and above was 280.04 million, accounting for 19.8%, of which 209.78 million were aged 65 and above, accounting for 14.9%.⁹⁷ With the increasing aging of rural population, they are facing increasing risks in health such as sickness and accidents, and in climate and market related shocks to their agricultural income stability. Among all pensioners, the benefit level of rural residents is obviously lower than that of urban retirees. Among those received pension, the level of support for rural folks was merely below 6% of the level of urban peers. The aging rural population faces much more social security risks. In rural areas, the elderly not only manage their families, but also take good care of their grandchildren's life and study and work in the farmland; they enjoy these activities and refuse to be regarded as old. Many older people with cultural, artistic, or traditional skills have become masters, set up cooperatives, or engage in handicraft making. Their products go to the market and even abroad, bringing considerable income. With China's good aging policies and comprehensive poverty alleviation measures, the elderly have become an indispensable force for China's economic and social development.

⁹⁷https://www.stats.gov.cn/english/PressRelease/202302/t20230227_1918979.html

Persons with disabilities account for 6.34 % in China⁹⁸. China has an estimated amount of 83 million persons with disabilities, according to an official data of the Second National Sampling Survey on Disability conducted in 2006. As result of a series of positive legislative and administrative policies and measures taken by the state, the general living conditions and overall social status of people with disabilities has witnessed a remarkable improvement in the previous years. Yet, people with disabilities remain a vulnerable group and still encounter specific difficulties. There is still a long way to go and much more need to be done in order to ensure the full enjoyment of the rights enshrined by the laws and promote the realization of the goal of “ Equality, Participation and Sharing” for all people with disabilities. In 2007, the State Council promulgated The Regulations Concerning Employment for Disabled Persons. In 2008, the National People’s Congress amended the Law on Protection of Disabled Persons. These laws and decrees provide clearer and specific goals and policies directions on how to protect the rights to employment and employment promotion for disabled persons. The Government takes a number of key initiatives and actions, including adopting a quote scheme, requiring all employers to secure no less than 1.5% job opportunities for persons with disabilities; supporting the establishment of welfare enterprises to accept persons with disabilities through group placement, through arrangements such as management, technology, funds and taxation; and also encourages and supports self-employment.

The number of migrant workers in the country is still increasing. According to the 2023 Migrant Worker Monitoring and Survey Report, the total number of migrant workers in the country in 2023 was 297.53 million, an increase of 1.91 million or 0.6% over the previous year. Among them, there were 120.95 million local migrant workers, a decrease of 2.78 million or 2.2 percent over the previous year, and 176.59 million migrant workers went out, an increase of 4.68 million or 2.7 percent over the previous year. In 2022, 62.7% of all migrant workers were men and 37.3% were women.

When China initiated its plan to eliminate extreme poverty by 2020, it quickly realized that **persons with disabilities** were disproportionately represented among the remaining poor. By 2019, there were only about 479,000 persons with disabilities living in extreme poverty – down from 7.19 million in 2014 – but they made up nearly half of all those in extreme poverty. The Government of China thus began promoting programmes dedicated to including persons with disabilities in their local economies. Through its rural development work in the country, IFAD has proven to be a capable and efficient contributor to this national effort.⁹⁹

According to **Global Dietary Database** published by Tufts University in 2019, the dietary intake of key foods and nutrients in adults aged 20 years and above in China presents an over-consumption of red meat and fish, while the diets are significantly lacking in fruits, legumes, nuts and whole grains. The data shows that the Chinese middle-class in eating a higher-fat and less-healthy and less-diverse diet, which is reflected in the increase in heart diseases and obesity.

The Traditional Chinese Medicine (TCM) offers a plethora of knowledge related to healthy diets and the importance of integrating cooked, fresh seasonal vegetables and fruits, lean protein, and whole grains into the diet. This in-depth, varied and locally rooted knowledge on healthy diets could help **China change the growing problems of sub-optimal diets and growing prevalence of obesity and non-communicable diseases.**

⁹⁸ The 2nd National Sample Survey on Disability in 2006, https://www.gov.cn/jrzq/2007-05/11/content_610707.htm

⁹⁹ <https://www.ifad.org/en/web/latest/-/in-rural-china-new-opportunities-for-persons-with-disabilities>

1.2 Environment and climate context, trends, and implications

Land use Atlas of China. Since 2020, China's national territory intensity has transitioned into a phase of relative stability, albeit with continued nuanced changes in land use patterns. The trend of decreasing national arable land persists, with notable regional disparities such as an increase in the South and a decrease in the North, alongside significant transformations like the conversion of dry land into paddy fields in the northeast's Songnen Plain. Concurrently, urban and rural construction lands are expanding, now extending beyond traditional coastal areas towards the central and western regions, reflecting a decentralization of development. This shift emphasizes a movement from the historic concentration around mega and large cities to a broader distribution across towns of varying sizes. Moreover, the expanse of natural ecological lands, including forests and grasslands, continues to diminish across the country, albeit at a slower pace than observed in the previous decade, the Qinghai-Tibet Plateau exhibits a distinct response to climate change, with an increase in the area of rivers and lakes, highlighting the complex interplay between environmental dynamics and land use changes in China.

Based on the challenges, Central People's Government of the People's Republic of China published **National Land Planning Program (2016-2030)** on 2017. The Central People's Government of China released the **National Land Planning Program (2016-2030)** in 2017, aiming to optimize land use for resource conservation, ecological protection, and sustainable development. China's first "multi-planning" initiative, the National Outline of Territorial Spatial Planning (2021-2035), emphasizes energy resource security, market stability, and public safety through strategic exploration and development. The "three zones and three lines" strategy plays a pivotal role, particularly in regions like Inner Mongolia and Qingdao, which prioritize agricultural and pastoral integrity and land-sea ecosystem protection, respectively.

The country is rated as high risk for earthquake, tsunami, volcano, and cyclone. Provinces in the western part of China are particularly prone to earthquakes. All provinces close to coastal areas have a medium to high level of tsunami hazard. Volcanic risk is particularly high in western and northeastern provinces. Cyclone risk is high in the eastern region of the country.

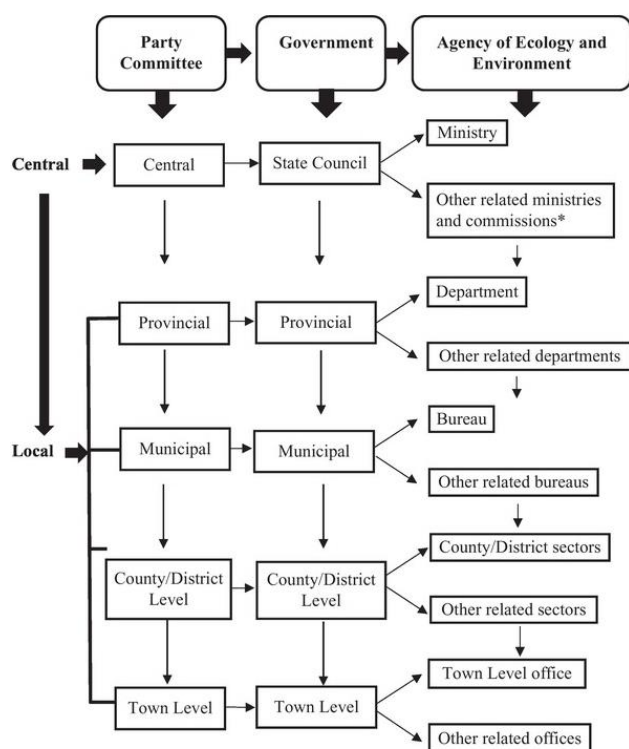
2.2 Policy and regulatory frameworks

NDC: China submitted its updated **NDC in October 2021**, strengthening targets and adding a new renewable energy capacity target. The updated Long-Term Strategy (LTS) was also submitted, putting forward the basic principles and strategic vision, strategic priorities and policy guidance for China's long-term low greenhouse gas emission development. China's 14th Five-Year Plans (FYPs) delineate mitigation measures for transitioning away from coal towards renewables, although uncertainties persist regarding renewables' ability to meet energy demands while reducing coal and gas reliance. NDC targets aim to increase non-fossil fuel share, expand wind and solar power capacity, and achieve carbon neutrality. Industry targets electrification and efficiency improvements, while the transportation sector prioritizes new energy vehicles and public transport electrification. Green building initiatives and energy efficiency measures are outlined in the 14th FYP for the construction sector. Efforts to expand forestry align with carbon neutrality goals, but uncertainties remain regarding carbon sequestration potential. Internationally, China pledges increased forestry efforts and signs agreements to reduce deforestation and promote biodiversity conservation.¹⁰⁰

National Strategy for Climate Change Adaptation: The National Adaptation Strategies (National Strategy for Climate Change Adaptation 2035); published in 2022 included all

¹⁰⁰ [Policies & action | Climate Action Tracker](#)

sectors (agriculture, biodiversity etc.). The National adaptation strategy addresses urgent action to enhance adaptation mechanisms and monitoring capabilities across all levels of government. The recent policy document highlights the serious adverse impacts already inflicted on China's natural ecological system, with climate change increasingly impacting the economy and society. The national climate change adaptation strategy addresses the need for proactive measures to confront these challenges. By strengthening adaptation mechanisms and monitoring efforts, China aims to mitigate the risks posed by climate change and safeguard its economy and society. At COP26, China signed the forestry pledge to end deforestation by 2030 (Climate Action Tracker, 2022; National Forestry and Grassland Administration, 2019; Xinhua, 2021b). **China's agricultural emissions** are produced by the digestive processes of livestock, use of synthetic fertilisers, cultivation of rice, and the manure of livestock.



*Note. The four Municipalities Directly under the Central Government, namely Beijing, Shanghai, Tianjin, and Chongqing, have three local ranks of municipal level, county/district level, and town level.

Source: Cambridge Climate Governance of China

In China, enteric fermentation (27%), use of synthetic fertilisers (24%), rice cultivation (22%) and manure (20%), are the four largest sources of GHG **emissions in the agriculture sector**. Adapting and improving the **diets of animals**, reducing or more efficiently using synthetic fertilisers, switching to **farming techniques** that facilitate soil carbon sequestration, improving manure storage and handling, and continuing efforts to reduce food waste could all help reduce emissions from this sector (FAO, 2022).

Existing research and policy frameworks inadequately address the complexities of adapting China's farms to climate change. Key issues include the framing of agriculture as a homogeneous sector, the lack of localized vulnerability assessments, a bias towards large-scale engineering solutions, and insufficient consideration of local government capacity.

These gaps highlight the need for more nuanced approaches that account for the diverse realities and vulnerabilities of agricultural communities in China.¹⁰¹

Convention on Biological Diversity (CBD): Biodiversity Conservation in China(2021) was released before the COP15 (CBD), it details for the first time China's achievements in efficient governance on biodiversity conservation and development in parallel. For example, China's forest coverage and forest reserve have both maintained growth over the last 30 years, with China also realizing the largest growing in forest resources among all countries. China, as established close to 10,000 protected areas and revised more than 20 laws and regulations related to biodiversity conservation, including laws on forestry, grassland, fishers, see, biosecurity as well as laws on protection of wildlife.¹⁰²

The China National Biodiversity Conservation Strategy and Action Plan (2011-2030) is a comprehensive policy framework aimed at enhancing biodiversity conservation across various sectors. Developed by the Ministry of Environmental Protection, it outlines strategic goals and tasks to address biodiversity challenges and effectively protect China's natural resources over the next two decades. With short, mid, and long-term goals in place, the plan seeks to control biodiversity decline and loss by 2030. Additionally, it is anticipated that the implementation of this strategy will lead to increased productivity and sustainability in agriculture, forestry, and fisheries sectors.¹⁰³

Climate Finance: China is one of the largest green finance issuing jurisdictions in the world. However, more remains to be done to ensure that the capacity of China's climate finance ecosystem can satisfy the substantial financing needs for its transition toward a carbon-neutral economy. Key actions include strengthening the climate information architecture to create a solid foundation for market-oriented climate finance, improving banks' accountability of climate investing, enhancing market-based financing to complement banks' green lending, and developing the transition finance framework. Meanwhile, incorporating climate-related risks into the key policy and market frameworks, as well as systemic risk oversight, could help safeguard financial stability that can be impacted by climate change.¹⁰⁴

China has made significant strides in green financial reform during the 13th Five-Year Plan, accelerated by political support and robust incentives. With an annual average of RMB 2.1 trillion invested in green finance, scaling up by four times is necessary to meet climate targets and environmental standards. Public sources, particularly Central State-Owned Enterprises and policy banks, dominate green finance, while the private sector's contribution is concentrated in solar projects. Despite barriers to accessing green capital, opportunities for growth abound, including in outbound investments, notably in Belt and Road Initiative countries. However, embedding ambitious green standards in investments remains critical for sustainable development.¹⁰⁵

2.3 Programmes and partnerships

Major Development partners presence in China:

¹⁰¹ Rogers, S. (2016). Adaptation science and policy in China's agricultural sector. *Wiley Interdisciplinary Reviews: Climate Change*, 7(5), 693-706.

¹⁰² <https://www.cbd.int/countries/profile?country=cn>

¹⁰³ <https://www.fao.org/faolex/results/details/fr/c/LEX-FAOC163531/>

¹⁰⁴ [https://www.elibrary.imf.org/configurable/content/journals\\$002f002\\$002f2023\\$002f081\\$002farticle-A005-en.xml?t:ac=journals%24002f002%24002f2023%24002f081%24002farticle-A005-en.xml](https://www.elibrary.imf.org/configurable/content/journals$002f002$002f2023$002f081$002farticle-A005-en.xml?t:ac=journals%24002f002%24002f2023%24002f081%24002farticle-A005-en.xml)

¹⁰⁵ <https://www.climatepolicyinitiative.org/wp-content/uploads/2021/02/The-Potential-for-Scaling-Climate-Finance-in-China-1.pdf>

ADB: Country Partnership Strategy with China emphasizes key interventions in environmentally sustainable development and climate change mitigation and adaptation. These interventions include:

1. Environmentally Sustainable Development:

- Integrated natural resource management to conserve and restore natural capital assets.
- Long-term management of pollution across urban and rural areas.
- Development of low-carbon transport and engagement of SMEs in green production.
- Promotion of inclusive livelihoods and business opportunities in ecotourism.
- Mainstreaming environmental infrastructure through private sector solutions.

2. Climate Change Mitigation and Adaptation:

Support for climate-resilient infrastructure and climate-smart agriculture and forestry.

- Development of sustainable risk management frameworks for water and extreme weather.
- Assistance to achieve China's Nationally Determined Contributions (NDC) through low-carbon development and green infrastructure.
- Exploration of new approaches like carbon capture, hydrogen technology, and circular economy initiatives.
- Strengthening disaster risk management processes and financing for disaster risk reduction.
- Financing climate related Non sovereign projects, including renewable energy technologies

World Bank:

The World Bank Group's (WBG) Country Partnership Framework (CPF) with China for FY 2020–2025 focuses on “advancing market and fiscal reform, promoting geener growth and sharing the benefits of growth. The WBG's commitments within this framework include:

Engagement area 1: Advancing market and fiscal reforms by improving the environment for competition and private sector development and achieving more efficient and sustainable subnational fiscal management and infrastructure financing.

Engagement area 2: Promoting greener growth by facilitating the transition to a lower carbon energy path, reducing air, soil, water and marine plastic pollution, demonstrating sustainable agriculture practices and improving food system quality and safety, strengthening sustainable natural resources management and promoting low-carbon transport and cities.

Engagement 3: Sharing the benefits of growth by increasing access to quality health and social services and improving quality of early learning and skills development programs.

Further to this, The World Bank's support of Climate-Smart Agriculture (CSA) through initiatives such as the US\$345 million loan for the China Green Agricultural and Rural Revitalization Program for Results. This program, operating in Hubei and Hunan provinces in central China, aligns with China's global public goods agenda by promoting agricultural and rural development while curbing greenhouse gas emissions, enhancing carbon sequestration, and conserving biodiversity. By strengthening local government capacity to integrate environmental objectives into rural revitalization plans, the World Bank's financing complements China's US\$4.1 billion commitment, thereby contributing to resilience and food security efforts while mitigating climate change impacts.

Agreement at completion point

People's Republic of China Country Strategy and Programme Evaluation Agreement at Completion Point (ACP)

A. Introduction

The Independent Office of Evaluation of IFAD (IOE) conducted the second Country Strategy and Programme Performance Evaluation (CSPE) in China in 2022. It covered the period since the last CSPE conducted in 2014.

The **main objectives of the CSPE** were to: (i) assess the results and performance of the IFAD strategy in China as outlined in the 2011 and 2016 COSOPs, as well as understand the factors that contributed to the outcomes; (ii) identify practices and lessons that could be shared beyond the China Programme; and (iii) generate findings and recommendations to inform the future partnership between IFAD and the Government of China for equitable and gender-sensitive rural development. The timeframe of the CSPE was 2014-2021. The period covered two COSOPs (the ongoing 2016 COSOP and the 2011 COSOP).

This **agreement at completion point (ACP)** contains recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as proposed follow-up actions as agreed by IFAD and the Government. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for China. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations and proposed follow-up actions

The evaluation led to five recommendations that are intended to guide the evolving IFAD-China partnership for the period leading up to the 2025 COSOP and beyond. The IFAD12 pipeline projects provide an opportunity to further test innovative approaches and review lessons in areas of strategic concern in preparation for the 2025. The 2025 COSOP would need to clarify the strategic positioning of IFAD in China and the modalities used to support the partnership between China and IFAD. The new COSOP (2025), would clarify the strategic focus of the country programme with regard to (i) generating effective and sustainable rural institutions; (ii) promoting global public goods; and (iii) fostering innovations.

Recommendation 1: In preparation for the 2025 COSOP, position the China programme for strategic support to inclusive agricultural value chains through different modalities. Targeted support to cooperatives, with focus on inclusive mechanisms and sustainable capacity building, will continue to be an important approach; lessons would need to be captured systematically. A systematic review of the experiences with institutional arrangements, including 4Ps, for value chain support would enable IFAD to identify to position itself more clearly for the support of inclusive and sustainable value chains, within and beyond China. A light review of financial support mechanisms for cooperatives and entrepreneurial households might also be useful.

- (a) Under the ongoing COSOP, the design of pipeline projects should incorporate the identified **good institutional practices** on for further testing and scaling up

- (b) In preparation for the 2025 COSOP, IFAD should define the concept of inclusive and sustainable value chains in line with IFAD's global strategy and principles.
- (c) IFAD should define the term "smallholders" in the context of the developing rural economy in China. At the same time, it should be consistent in safeguarding **smallholders' land tenure** applying SECAP in land contracts.
- (d) The 2025 COSOP should propose a platform to learn both directions (from and to China) on inclusive and sustainable value chains in marginal rural areas. **Nurturing initiatives from the business sector as partner**, and attracting value chain operators whose business model calls for inclusivity and equitable benefits.

Proposed Follow-up: The government of China and IFAD agree with the recommendation to prioritize China program on inclusive agricultural value chain adopting diversified models of benefiting target groups while following a private sector involved and market driven approach. This is well aligned with the rural revitalization strategy in sense of promoting thriving industry to benefit the rural population. Proper analysis of past experiences in IFAD of rural based agro-industry development for poverty reduction will be undertaken along the process of developing the new COSOP to inform the viable options, this shall also include sustainable financing for both the private sector and target groups in these models and in the context of rural transformation. Continued learning and improvement will be maintained relating to the subject during the implementation of next COSOP, to feed into the SSTC activities of the country program and/or other partners. It is also agreed that SECAP will be adequately applied in line with IFAD requirements, in both COSOP and future projects to mitigate related risks and safeguard beneficiary rights including in the rights to contractual management of land.

Responsible partners: IFAD and the Government of China
Timeline: 2023 onwards

Recommendation 2: The 2025 COSOP should clearly establish IFAD's comparative advantage on environmental sustainability and climate change resilience, with focus on marginal areas and smallholders. Sustainable natural resource management and climate change mitigation and adaptation will be important themes, within the context of rural development in China and as global public good beyond China. The 2025 COSOP should clearly state the focus on ENRM and climate change in loans targeted at marginal areas and smallholders. The 2025 COSOP should align its support to climate-smart agriculture with national policies. The 2025 COSOP should also clarify how IFAD would enhance its positioning in those areas through knowledge sharing and SSTC.

IFAD should define its upcoming geographical strategy, taking into account the views of its national partners. This will lead to define **climate related opportunities and constraints** of the targeted areas.

IFAD should also seek to contribute to **China's carbon neutral economy goal** in the rural **areas**, engaging not only in adaptation but also in mitigation and carbon sinks – with a view to generating lessons learnt of relevance to IFAD's work in other countries. When value chain operators engage in carbon markets, IFAD should promote arrangements that put rural communities at the centre.

Upcoming operations should increase focus on **preserving and enhancing agrobiodiversity and sustainable land management at landscape level**. IFAD may need to mobilise technical assistance to extension services and cooperatives at

local level, to increase awareness and knowledge on adaptation, limit the use of chemicals, and support integrated animal farming and agroforestry.

IFAD must ensure that there is sufficient **technical capacity in the country** to support the design and implementation of climate change adaptation pilots. This may include capacities mobilised through partnerships with government agencies and research organisations in China.

Proposed Follow-up: The government of China and IFAD agree that the new COSOP, to be designed in 2024 and submitted to the IFAD Executive Board in December 2024, shall highlight strategic objectives of green and sustainable development of the agricultural sector, exploring low carbon practices and enhancing climate resilience of the sector and the rural population, while building institutional capacities for better planning and managing the relevant strategies and actions.

Responsible partners: IFAD and the Government of China

Timeline: December 2024

Recommendation 3: The 2025 COSOP should clarify how IFAD will expand the pool of strategic partners, with focus on innovation, scaling up and knowledge sharing in clearly identified thematic areas. IFAD should consolidate links with national partners – including private partners– and provide spaces for piloting and scaling up solutions in cooperation with strategic partners. Going forward, existing platforms, such as the Rural Solutions Portal, should be used more effectively to promote good institutional practices and inclusive and sustainable businesses. In preparation for the upcoming COSOP:

Expand partnerships with **think-tanks and research organisations** with a proven expertise on inclusive value chains and climate change adaptation. The aim of these collaborations would be to identify and package good practices from IFAD-supported interventions for knowledge sharing, policy engagement and SSTC.

Establish a direct relationship with NRRRA, through preparation of a MoU proposing joint activities for the upcoming COSOP. The aim of the MoU would be to sharpen the definition of IFAD's core target groups (smallholders, vulnerable households) and define targeting strategies for the upcoming COSOP. Further activities might include support to establishing a database for monitoring the outreach to IFAD's target groups at country programme level.

Enter into a direct relationship with the NDRC at national level. The involvement of NDRC would get IFAD in a better position to engage with government institutions on policy issues and development practices more effectively. The NDRC is the most influential ministry for national-level development policy-making, planning and coordination with line ministries in implementing policies and development plans. IFAD should prepare a MoU with the NDRC for joint activities under the upcoming COSOP. Activities might include the joint evaluation of innovative pilot projects and uptake of good practices at provincial and national levels.

Review the relevance and usability of the existing Rural Solutions Portal; Consolidate and update vetted Chinese solutions in core thematic areas (related to Global Public Goods) continuously; Chinese participants in this portal should comply with inclusive and sustainable business criteria.

Further shape and facilitate multi-lateral dialogues on good practices in areas of strategic focus, to the benefit of GoC and other partners involved.

Proposed Follow-up: The government of China and IFAD agree that partnership for effective knowledge management, innovation and scaling up will be an essential focus in the new COSOP. A partnership strategy shall be developed along the process of finalizing the new COSOP, focusing on the key thematic areas of the new COSOP outlining outcome areas, supportive arrangements including resources and functioning mechanisms. Partnering with relevant government ministries and agencies will be coordinated through MOF as IFAD's in-country focal ministry. Annual plans for realising the partnership strategy will be made during the implementation of the new COSOP, to be appraised through COSOP Results Review. Update of the strategy may be made as necessary in view of the evolving country context and dynamics. Knowledge management and partnership focal point(s) will be designated in the IFAD China Office for the related businesses.

Responsible partners: IFAD and line ministries

Timeline: 2023 onwards

Recommendation 4: In preparation for the 2025 COSOP, develop a strategic vision and clarify the role for IFAD in China on SSTC. IFAD urgently needs to seek clarity on the objectives of SSTC in China and ensure that the required capacities are in place and effective. IFAD should establish SSTC as a vision for the long-term partnership with China.

IFAD should take advantage of the remaining two years of the current COSOP period to effectively reposition SSTC as a key modality for IFAD's engagement and partnership with China in the future, based on a clearer understanding of goals and means to achieve these. In preparation for the upcoming COSOP, prepare a background paper for SSTC as a modality for long-term partnerships with UMICs and conduct an in-depth mapping of available solutions in current country portfolio; Include SSTC in the upcoming COSOP; clarify areas thematic focus, main strategic partners, available resources and institutional arrangements.

The 2025 COSOP should clarify the added value of SSTC to develop the longer-term partnership between China and IFAD, for instance around global public goods. The COSOP would identify at least five core thematic areas (related to Global Public Goods) which can structure the SSTC engagement in the medium term. It would identify specific added values and comparative advantages of IFAD in comparison with other UN agencies supporting China's SSTC. The COSOP would position IFAD, as a partner for China's SSTC both at the country level and internationally. The COSOP would lay out a process for continuously reviewing SSTC experiences and sharing lessons learned with other UMICs.

The 2025 COSOP RMF should include SSTC as a consolidated pillar for the partnership between China and IFAD, contributing to mutual benefits in terms of knowledge, resources and partnerships. The COSOP RMF would provide clarity of measurable mutual benefits for IFAD and China partnering around SSTC. It would clarify IFAD's contributions to China's role as a provider of specialized solutions for Global Public Goods and the post-2030 frameworks of international development goals. It would consolidate IFAD's approach to SSTC as a modality to manage partnerships with UMICs in the short and medium term; and position IFAD in relevant international platforms.

Proposed Follow-up: IFAD and the government of China recognize the need to develop a strategic vision on future partnership and SSTC, as well to clarify the role of IFAD in China on SSTC. At the corporate level, IFAD shall undertake a comprehensive review to the experience of SSTC Facility and explore to embark on new round(s) of SSTC partnership at the institutional level, from there outlining the objectives of such partnership, and the instruments and key in-country strategic partners to achieve them. The SSTC and Knowledge Regional Centre in Beijing/ China Country Office shall be able to provide space and channels for collaboration among development partners in the Global South – including government agencies, academic institutions, and private partners, both in China and in the region – to exchange knowledge as well as pilot and scale up development solutions. At the country level, IFAD and the government of China agree that the new COSOP shall clarify the thematic focus areas of SSTC in both lending and non-lending activities, and in-country and internationally, which shall aim to complement China's role as a provider of specialised solutions for global development goals. The new COSOP shall also outline what resources and mechanisms can be exploited to support the SSTC undertaking.

Responsible partners: IFAD and the government of China

Timeline: 2023 onwards

Recommendation 5: Facilitate China's access to BRAM resources. From a technical perspective, there are good reasons for keeping China as a borrower. As a borrower of BRAM resources, China does not crowd-out any other lesser rated borrowing country and, through its own credit rating, helps IFAD in its portfolio management. China provides a positive uplift of the credit rating of IFAD's BRAM portfolio because of its A+ rating by Standard & Poors and A1 by Moody's. China's loans therefore help IFAD maintain the targeted BRAM portfolio rating of BB, which in turn is an important factor for IFAD's own credit rating, which is AA+ by both Standard & Poor's and Fitch.

For the upcoming two loans under the BRAM modality, IFAD would need to support government in managing the risks. First of all, IFAD would need to ensure that borrowers are fully aware of the risks of ordinary and BRAM loans. In China the ultimate borrowers are the counties in the provinces. These counties bear the FX risk inherent in the fact that the loans are foreign currency denominated. Equally, the counties bear the interest rate risk and with USD Libor and SOFR rising rapidly, funding that appeared initially cheap, may now turn out to be more expensive than planned. Chinese counties may not be in a position to estimate, let alone manage rising interest rates and may not be aware of the dynamics of short-term rates.

To avoid adverse effects on project results, IFAD may therefore consider adjusting the grace period to match the project implementation period. BRAM loans have a shorter grace period than previous loans in China. Whilst previously China had negotiated a five-year grace period on its IFAD loans, BRAM loans foresee a grace period of three years, which is significantly shorter than the normal implementation period. IFAD may also consider a shorter maturity or a prepayment if China's GDP exceeds certain thresholds for the two loans that are currently in the pipeline.

Once fixed rate loans are introduced by IFAD, IFAD should offer upcoming loans to China not only in floating rate USD but also on a fixed rate basis. China seeks to continue to be a borrowing member in other DFIs. It is to be expected that China

will aim to borrow the maximum amounts allocated according to the BRAM limits. Fixed rate loans would reduce the above risks for the borrowers.

Proposed Follow-up: IFAD and the government of China appreciate the recommendation. This said, IFAD has no specific proposals as to how its lending terms will be further developed at present including whether these would include a fixed rate. In the past, fixed spreads were offered but these have been currently suspended, which matches similar approaches by other IFIs. On the grace period, we would note that the current pricing terms were approved by the Board following extensive discussions regarding the differentiation to be introduced between higher and lower income borrowers and to date no other borrower in the same category as China has requested a waiver. This may be considered in the IFAD13 replenishment discussions. We would suggest that China considers further instruments by which to interact with IFAD, including RTA and guarantees. IFAD and the government of China may explore innovative co-financing arrangement to soften the lending terms with domestic financing in selected project(s) while enhancing project impact. IFAD shall organize updates and briefing sessions for the in-country clients on the dynamics of the lending terms and potential new instruments to the country and the associated rewards and risks.

Responsible partners: IFAD and the government of China

Timeline: 2023 onwards

Signed by:



Mr Cheng Zhijun
Director-General, International Economic and Financial Cooperation Department
Ministry of Finance,
Government of P.R. China

Date: 12/9/2023



Mr Donal Brown
Associate Vice-President, Programme Management Department
International Fund for Agricultural Development

Date: 11/09/2023

COSOP preparation process

1. **The COSOP Preparation team.** The COSOP was design by a core team led by Nii Quaye-Kumah(Country Director and IFAD Representative, APR) and comprising Abdelkarim Sma(Lead Regional Economist, APR), Xiaozhe Zhang (Regional SSTC Coordinator, GPR), Maliha Hamid Hussein (Leading consultant) and members of the China country team including Yinhong Sun (Country Program Coordinator, APR) Lei Han (Country Operations Analyst, APR) and Yinyin Shi (Country Program Assistant, APR). The team also benefited on insights from Bettina Prato (Lead and Technical Advisor to AVP PMD)
2. **In-house COSOP Delivery Team (CDT).** The COSOP was developed with assistance of CDT. The IFAD CDT consists of Reehana Raza (Regional Director, APR) Shankar Kutty (Senior Procurement Officer, APR) Buyung Hadi (Senior Regional Technical Specialist on Agronomy, PMI) Ayurzana Puntsagdavaa (Senior Regional Technical Specialist on Markets and Value Chains, PMI) Anupa Rimal Lamichhane (Lead Regional Technical Specialist on Environment and Climate, ECG) Tshering Choden (Technical Specialist on Social Inclusion and Gender, ECG) Mark Biriukov (Senior Regional Finance Officer, FMD) and Michele Totah (Legal Officer, LEG).
3. **In-country Program Management Team.** During the formulation of COSOP, the design team also received valuable inputs and guidance from various stakeholders and partners within the country.
 - (a) Government organizations:** Ministry of Finance (MOF) is IFAD’s counterpart in the country. National Development and Reform Commission (NDRC), International Knowledge Development Center of State Council Development Research Center (CIKD), Ministry of Agricultural and Rural Affairs (MARA), Ministry of Ecology and Environment (MEE), China International Development Cooperation Agency (CIDCA), representatives from provincial governments where IFAD projects were implemented
 - (b) Development partners:** World Bank Group (WB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB); Multilateral Cooperation Center for Development Finance (MCDF), United Nations Country Team (UNRC, FAO, WFP, UNIDO, UNWOMEN, UNEP), International Food Policy Research Institute (IFPRI)
 - (c) Academics and research institutions:** Chinese Academy of Social Sciences (CASS) and China Agricultural University (CAU)
 - (d) Private sector:** Jingdong (JD)
4. **Preparatory studies.** The 2022 Country Strategy and Programme Evaluation (CSPE) outlined the strategic directions of future engagement of IFAD in China, based on an agreement with the government. This laid the foundation for development of COSOP 2025-2030. Subsequently in 2023, a COSOP Completion Review (CCR) evaluated the lending and non-lending activities of COSOP 2016-2024, encompassing achievements, challenges, trends analysis and lessons learnt. Several background studies were also conducted, including the Social, Environmental and Climate Assessment Procedures (SECAP), which set the stage for COSOP on thematic topics of social, environmental and climate change integration in China. Additionally, a study on smallholders and cooperative models in inclusive agribusiness development analysed the alignment of cooperative models from IFAD projects with inclusion agenda. Furthermore, potential thematic focus areas of South-South and Triangular Cooperation (SSTC) were explored in from the dimension of lending and non-lending activities, and domestically and internationally.

5. **The COSOP Consultations.** The COSOP design team engaged in multiple rounds of consultations with various in-country partners, which influenced the shaping of the current COSOP:

(a) The Final CSPE workshop took place in June 2023, bringing together over 75 participants, including representatives from central government and provincial level governments, as well as UN and development organizations and academic institutions. The workshop facilitated discussions on IFAD's role in adding value to rural development agenda in the country, gathering inputs and feedback from a diverse range of stakeholders. Representatives from line ministries outlined government strategic priorities to guide the development of IFAD's forthcoming COSOP. Additionally, provincial and local government representatives shared their insights from their experiences with IFAD projects, identifying needs and challenges for next cycle of IFAD initiative.

(b) Initial COSOP consultation mission began in January 2024. The China CDT and China Design Team visited MOF and other bilateral development partners including WB, ADB, AIIB, MCDF, UNCT and CAAS. These bilateral meetings sparked country strategic dialogues with key stakeholders in China, forging a deeper understanding of a broad strategic direction, and providing valuable insights into the nation's key development priorities and challenges. Through these comprehensive dialogues, the mission gained insights from peer organizations regarding their approaches to addressing China's development needs and contribution to public goods. Additionally, the mission briefed the government the process, milestones, and timetable for preparation of the 2025-2030 COSOP.

(c) Second COSOP consultation mission commenced in April 2024 to further solidify the strategic focus and enhance IFAD's value addition. Extensive bilateral consultation meetings were conducted with key government counterparts including MOF, NDRC, MARA, MEE and CIKD, as well as other stakeholders such as CAU, IFPRI and JD. These meetings facilitated the exchange of ideas on the provisions of the various policies and guidelines shaping IFAD strategic opportunities in the country in 2025-2030, and identified lessons, priorities and explore collaboration opportunities for domestic projects and SSTC beyond the country. The mission also reviewed draft indicators with MOF, receiving feedback and recommendations from them. Subsequently, a brief meeting was held with China CDT who provided more specific orientations for the drafting of COSOP.

(d) COSOP Validation Workshop, jointly held with the Ministry of Finance on 30 September 2024 in Beijing, brought together over 40 representatives from government ministries, UN agencies, IFIs, development partners, and academic institutions. Discussions with partners centered on validating the proposed strategic objectives and providing further feedback to enhance the draft. Participants commended the new COSOP has laid a good foundation that aligns with China's priority areas, including rural revitalization, the consolidation of poverty alleviation achievements, and agricultural modernization. IFAD in China will continue to support smallholder farmers, agribusinesses, and private enterprises, while further strengthening partnerships in South-South cooperation and knowledge sharing.

Version: 30 April 2024**China COSOP Workplan**

Processing Steps	Roles	Timing	Remarks
COSOP Design Plan	CD: Responsible Regional Director: Accountable	Jan 2024	
In country consultation 1	CD: responsible	29 January-2 February 2024	First in-country consultation with MoF to validate the CCR Report and officially launch COSOP process.
In country consultation 2	CD: responsible	22-26 April 2024	2 nd in-country consultation with key line ministries and partners
Draft COSOP	CDT: Responsible	March-15 May 2024	
Submit COSOP to Regional Economist Network (REN) review and OPR: first review	Economist Network and OPR: Advises	16 May 2024 (REN & OPR: 20 working days before OSC submission)	Two members of the Economist Network (from a non- sponsoring regional division) review the draft COSOP and submits a review note to the RD and AVP/PMD, copied to the CDT. OPR focuses its review on SECAP, ToC. Results Framework and overall compliance with guidelines in parallel with REN.
Review notes shared by REN and OPR	CD: Responsible	By 30 May 2024 (10 working days)	
Resubmission of adjustments and audit trail to REN and OPR: second review	REN and OPR: advises	By 6 June 2024 (5 working days before OSC submission)	Anticipating outstanding issues.
Submit COSOP draft to OSC	CD: Responsible Regional Director, through the AVP/PMD: Accountable QAG: Advises	14th June (15working days before OSC meeting)	The RD submits a final draft COSOP through the AVP/PMD (not same day), may include evidence of no objection by other directors, leaving 2-3 workings days, then to OSC Secretariat for the OSC review.
OSC COSOP Review	OSC members Responsible OSC chair: Accountable	10am Rome time, 9 July 2024	
OSC Decision Memo	QAG: Responsible CD: Consulted OSC chair: Accountable	Second week of July 2024 (Within 5 days of meeting)	QAG drafts and CDT consulted for comments
In-country endorsement of COSOP	CD: Responsible	mid-August 2024 or early September considering	Country stakeholder validation exercise, depending on extent of changes from draft COSOP (e.g. workshop, virtual

		that August is the holiday period for colleagues in most UN Agencies	meeting, consult key stakeholders). The CD seeks written endorsement for the final draft COSOP from the Government.
COSOP approval	CD: Responsible Regional Director: Clears AVP-PMD: Accountable President: Approves	October 2024 Submit document to SEC on 18 October	The CD submits the COSOP together with the Government endorsement for approval by the IFAD President.
COSOP EB Informal Seminar	CD: Responsible AVP: Cleared EB/SEC: Accountable	First week of December COSOP due to SEC 3 weeks before; PPT due 1 week before.	Recommendation by AVP made on basis of quality, readiness, regional shares. Confirmed at the EB Preparatory Meeting.
COSOP presented to EB	CD: Responsible President: Accountable EB: Informed	December 2024	
COSOP disclosed	SEC: responsible		Disclosed through SEC as EB documents

South-South and Triangular Cooperation strategy

I. Introduction

1. In the context of IFAD, South-South and Triangular Cooperation (SSTC) refers to the cooperation mechanism facilitated by IFAD with two or more developing member states to share knowledge, skills, technologies, and resources among two or more developing countries. With its commitment to universality and solidarity, SSTC has been considered by IFAD as an integral part of its business model in helping developing member states achieve sustainable and inclusive rural transformation by learning from countries which have similar challenges to build trust and partnerships and scaling up development impact.
2. China has been an important partner country for IFAD to mainstream SSTC. In 2018, with a supplementary contribution of US\$ 10 million from China, the China-IFAD SSTC Facility was established as IFAD's first facility dedicated to SSTC with the objectives of leveraging knowledge, technologies, and resources among countries from the Global South to accelerate rural poverty alleviation, enhance rural productivity and advance sustainable rural transformation. In terms of institutional setting, the IFAD country office in China was upgraded into the SSTC Regional Centre for Asia since 2018 with a pivotal role in securing additional funding and expanding outreach efforts to promote SSTC.
3. Leveraging China's expertise to help other countries in the Global South to facilitate agriculture and food systems transformation is identified as one of the key strategic objectives in the new COSOP for China. To achieve this strategic objective, this annex summarizes the main points identified from the in-country COSOP consultation conducted between 23-26 April 2023 and the follow-up meetings held after the consultation in key areas in terms of exploring diversified sources of funding to support SSTC, strengthening institutional setting including the existing IFAD SSTC Regional Centre for Asia, expanding partnerships to mainstream SSTC into IFAD's operation with wider ranges of partners based on experience of the collaboration of China with other UN specialized agencies and international financial institutions.

II. Opportunities for rural development investment promotion and technical exchanges

4. China has made notable achievements in agricultural development and rural poverty reduction in the past 40 years. In 2021, the Government of China declared that extreme poverty had been eradicated according to the national poverty threshold, lifting 770 million people out of poverty since 1978. The year of 2021 also marks the seventh consecutive year that China secured an annual grain production of over 650 million tonnes, indicating the capability of China being self-reliant in securing its own food supply and contributing to the world food security. The knowledge, experience, development practices, as well as technologies generated during this process has placed China in a strong position to help other countries in the Global South maximize and scale up the development outcome including the increased food productivity and the income of rural households in the rural areas across the country at the regional and global levels.
5. Providing technical support in the area of agricultural development has been one of the priorities of China's foreign aid to other developing countries since the founding of the People's Republic of China, which formulated the early phase when China started to participate in South-South Cooperation under the framework of China's international agricultural cooperation with the international community. Apart from FAO, which established among RBAs the first China South-South Cooperation Trust Fund in 2009, China also conducted international agricultural cooperation with many other international organizations including the World Bank, WFP, and CGIAR research centres.

Opportunities

6. **IFAD's comparative advantages and operations in the country.** IFAD is a specialized United Nations agency and also the only international financial institution with a dedicated focus on investment in agriculture. With this unique role, IFAD has a track record of over 40 years in achieving results and impact to support more resilient and inclusive rural livelihood by promoting and facilitating mutually beneficial exchange among developing countries. As compared with other UN agencies, IFAD has the comparative advantage of gathering knowledge and experience not only from its developing member states but also its operations (i.e. the sovereign borrowing projects) in China and globally.
7. At the moment, IFAD's portfolio in China focuses on supporting the Rural Revitalization Strategy (2018-2022) with emphasis on food system transformation, climate adaptation, biodiversity preservation, and green and sustainable development of rural areas. Through the ongoing portfolio in the country as well as the design of new projects during the new COSOP period, the country programme would provide opportunities to showcase China's development experience of eradicating extreme poverty and enhancing its food production and sharing its innovations with partner developing countries through technical exchanges and knowledge sharing.
8. To strengthen its facilitator role in enhancing development cooperation between Member States, IFAD leverages SSTC whenever there is a clear added value to the achievement of development objectives through two types of projects, namely (i) sovereign borrowing projects with SSTC activities or sub-component; and (ii) stand-alone grant projects financed by supplementary funds. In the new COSOP, promoting SSTC through these two types of projects will be explored in China to leverage the linkage between SSTC and IFAD's portfolio in China.
9. **Diversified sources of supplementary funds.** In February 2018, the China-IFAD SSTC Facility - IFAD's first facility dedicated to south-south cooperation was established within IFAD with an initial supplementary fund contribution of US\$ 10 million from the Government of China. As of early 2024, 16 projects have been implemented in more than 38 countries, with 127 capacity-building events organized, over 200 experts and facilitated around 120 business-to-business linkages engaged, benefitting around 30,000 smallholder farmers with 60,000 indirect beneficiaries.
10. In the same year, the China International Development Cooperation Agency (CIDCA) was established as a leading government agency with the primary responsibility of providing Chinese foreign aid and promoting South-South Cooperation to help other countries achieve the 2030 Sustainable Development Goals. A Letter of Intent on Promoting Global Development Initiative and South-South Cooperation was signed jointly by IFAD and CIDCA in 2023, which established the partnership framework for IFAD to discuss potential project cooperation under the Global Development and South-South Cooperation Fund (GDSSCF) being managed by CIDCA.
11. Among other thematic areas, mitigation and adaptation to of climate change is one of the prioritized public goods that China has made commitments – strive to peak its carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. In this regard, the Ministry of Ecology and Environment of China (MEE) is managing the funding to support other developing countries to enhance the capacity to tackle climate change. Mobilizing funding opportunities through close partnerships with in-country partners would leverage the resources that IFAD has to scale up the SSTC initiatives.
12. **Strengthened institutional arrangement.** The IFAD SSTC and knowledge centre for the Asia-Pacific region has been established in Beijing since 2018. In the new COSOP period, the SSTC Regional Centre would be strengthened with resources and space to better collaborate with development partners at the regional and global

level, including government agencies, academic institutions, and private sector partners to facilitate knowledge sharing and other activities. By taking advantage of hosting the SSTC Regional Centre for Asia in Beijing, China could play a more proactive role in providing knowledge and technical support as well as funding resources to other countries in the region and beyond.

13. **Key thematic areas.** In the new COSOP period, IFAD intends to define the strategic dimension of SSTC for the evolving partnership with China more systematically. Based on the IFAD's portfolio in the country, five thematic areas in which it can transfer the experience of China to other countries have been identified. These areas include (i) the successful poverty alleviation strategies deployed by China; (ii) the transformation of the agriculture and food systems; (iv) further replication of the agro-industrial park experience of China; and (v) the development of the bamboo value chain to demonstrate its potential for improved livelihoods and its contributions to carbon emission reduction.

III. SSTC engagement rationale

14. Non-lending activities including SSTC have been explored by IFAD in strengthening its engagement with middle income countries. In this regard, China plays an essential role in supporting IFAD to strengthen both the institutional set-up for SSTC as well as the mainstreaming of SSTC into its country programmes. Amplifying the role that China plays in providing knowledge, technical assistance and sharing knowledge and solutions to other developing countries through the platform of IFAD has multiple benefits for China.
15. First of all, it is fully aligned with the National Rural Revitalization Strategy of China to promote international cooperation and provide proven development solutions for agricultural and rural development to the international community. Secondly, by taking advantage of the third-party bridge role that IFAD plays and considering its comparative advantages in the country and globally, mainstreaming SSTC into IFAD-financed projects could scale up the impact the limited resources could achieve at the country. Thirdly, partnering with IFAD to strengthen SSTC would enable China to play a more active role in addressing shared development challenges and facilitating the management of regional and global public goods, such as the prevention of environment and natural resources. China is in a position to provide knowledge, expertise, and technical assistance as well as cross-border trade opportunities at the regional and global level. The main roles that each party is expected to play in promoting SSTC and its linkages with IFAD's operations in the country are summarized in Table 1 below.

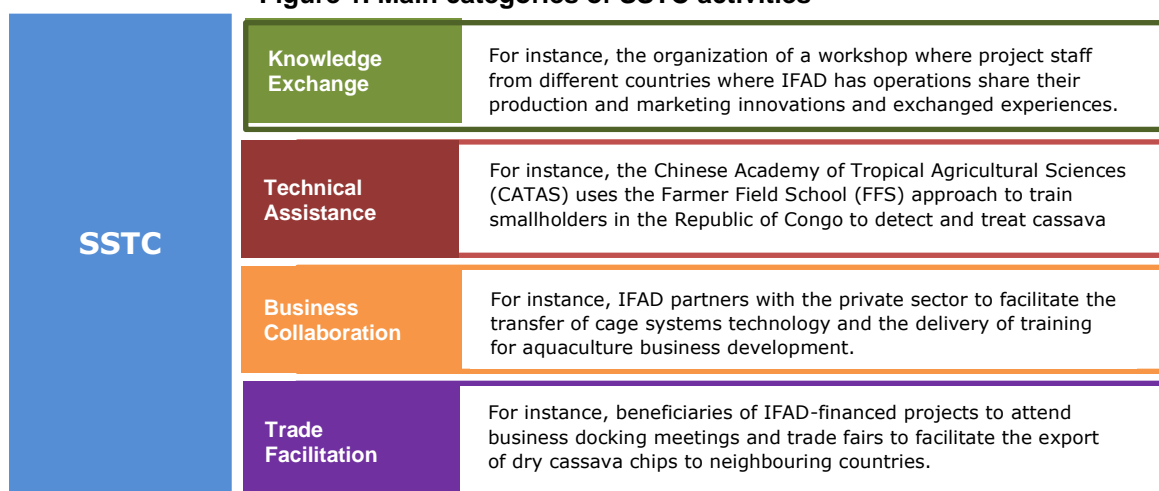
Table 1. Expected Responsibilities of China, IFAD and the Recipient/Partner Country

Entity	Main roles/responsibilities
China	<ul style="list-style-type: none"> Knowledge sharing (e.g. Capacity building opportunities)
Recipient/Partner Country	<ul style="list-style-type: none"> In coordination with China and IFAD, define the scope of the work to be covered by the SSTC projects in the country, based on the demand and availability of resources; Provide domestic financing as necessary; Duly undertake project activities in line with the grant agreement and prepare regular progress report.
IFAD	<ul style="list-style-type: none"> Coordination: Leveraging the role of IFAD as the third-party bridge to coordinate and promote the sharing and learning of knowledge, technologies, experience, and practices

	<p>between China and other countries in the Global South;</p> <ul style="list-style-type: none"> • Facilitation: Facilitate and manage the implementation of the projects supported by the China-IFAD SSTC Facility and other sources of supplementary fund provided by China; • Partnerships: Strengthen IFAD’s partnership network and mobilize resources (including funds and knowledge) for SSTC; • Communication: Collect and produce communication products to ensure increased visibility of the outcome of the SSTC projects through dissemination in the cooperation networks and communication channels.
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- SSTC covers a range of complementary and coordinated activities and actions that can contribute to achieving development objectives set by the partner countries. In the new COSOP for China, an SSTC initiative may encompass activities under four main categories (see Figure 1). These categories are (i) knowledge and policy exchange, including the development of knowledge tools/platforms, knowledge sharing workshops, policy dialogues/forums, etc.; (ii) technical assistance, including short-term on-site and/or virtual training and study group visits, medium-to-long-term technology transfer and other capacity building activities, etc.; (iii) business collaboration, including business-to-business linkages and private sector investments, etc., especially for engagement of actors from the Southern countries; and (iv) trade facilitation, including exporter-importer docking, technical support to trade agreement, etc.
- In line with IFAD’s evolving business model, SSTC will also be adopted as an important mechanism to promote the exchange of knowledge, enhancing policy engagement and strengthening partnerships, while ensuring it also cuts across the four mainstreaming themes of gender, youth, nutrition and climate change as well as the promotion of innovation. In addition, extra efforts will be made to ensure country ownership, mutual benefit and sustainability in the design and implementation of these initiatives.

Figure 1. Main categories of SSTC activities



IV. Partnerships and initiatives

18. The agricultural SSC initiatives that China participated in have been largely managed and/or implemented by the Ministry of Agriculture and Rural Affairs (MARA) and its affiliated institutions at the central level (e.g. the Foreign Economic Cooperation Centre) and the local agricultural authorities (e.g. provincial- and municipal/county-level agricultural technology extension station), academic and research institutions (e.g. China Agricultural University, Chinese Academy of Tropical Agricultural Sciences), as well as other entities. With strong institutional setting and agricultural experts in almost all disciplines, these institutions are capable of partnering with IFAD to be knowledge provider on food systems transformation, agricultural development and rural poverty alleviation.
19. At the multilateral level, there are a number of regional agricultural cooperation systems where IFAD and China could coordinate with, including the China-ASEAN (10+1) Cooperation, and the Lancang-Mekong Cooperation (LMC) mechanisms. These institutions and multilateral cooperation platforms could also serve as entry point for IFAD to be engaged in policy dialogue and exchanges with China and other developing countries.
20. **HuSFID.** The Hunan Specialised Forestry Development Project (HuSFID) which is under design has identified several areas in which it can play a lead role in enhancing cooperation with other countries. Partnership will be sought with agencies like the International Bamboo and Rattan Organization (INBAR) for the development of the bamboo value chain. IFAD will leverage its existing working relation with INBAR to support the project and the centre in knowledge production and sharing including through IFAD's Rural Solutions Portal (RSP), policy refinement, capacity building, value chain development, action research, and providing access to global fora on bamboo.
21. In addition, HuSFID and the IFAD SSTC and Knowledge Centre for Asia will benefit from the global recognition of China as a knowledge and industrial hub for bamboo development and would utilise this in scaling up the sharing of the country led knowledge generated with other countries. INBAR will support to transfer the successful experience of HuSFID especially in promoting innovative technologies for sustainable bamboo plantation management, enhancing bamboo-based smallholder livelihoods and value chain development, and fostering the substitution of plastics through the global initiative co-led with China.

V. Conclusion

22. The SSTC initiatives in the new COSOP would be pursued through the existing partnerships in the country and region as well as with the support from the IFAD's SSTC and Knowledge Centre in Beijing for Asia. The China country programme would promote the sharing of proven development practices and technical expertise through the ongoing and new operations supported by IFAD, in the thematic areas such as those outlined in paragraph 13 above. These may include but not be limited to collaborative activities with other international organizations and multilateral development banks in China and in the region.

Financial management issues summary

COUNTRY	<i>The People's Republic of China</i>	COSOP PERIOD	2025 – 2030
A. COUNTRY FM ANALYSIS			
<i>Country Disbursement Ratio (rolling-year)</i>	23.5 %		
<i>Unjustified Obligations:</i> <ul style="list-style-type: none"> <i>Outstanding Ineligible Expenditure –</i> <i>Outstanding Advances (Projects in Closed Status)</i> 	0,0 US\$ 47,787 US\$ This is a China supplementary grant (SSTC) implemented in Pakistan with closing date on 30 September 2022 and there were two implementers of the Grant - FECC and NRSP. FECC balance was refunded and the receipt was confirmed by TRE/FCD. The balance has been reduced in the system. For NRSP, there was a prolonged refund process at the State Bank of Pakistan (SBP). There were multiple attempts by NRSP to refund the balance but just in February 2024 the funds have been successfully sent out by SBP and TRE / FCD to confirm and apply the refund.		
<i>PBAS Available allocation (current cycle):</i>	Allocated Amount: 0 Available Balance: 0 to ensure correctness and alignment with info in the main COSOP document. To check with FIO		
<i>BRAM access</i>	YES As UMIC, in IFAD the country is eligible for only BRAM under IFAD12. US\$ 168,0 million (already committed to the 2 new projects HuSFID and G2RDP).		
<i>Country income category</i>	UMIC Category IV of IFAD lending terms is currently applied to the country		
<p><i>TI. Corruption Perception Index 2022 review¹⁰⁶ (CPI or TI Index) published in January 2023, which provides an index which ranks countries "by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys. CPI includes surveys from 12 different institutions including WB. In the review, China has been rated by TI index stable in the range of 40-49 since 2019 and rated 45 in 2022 which 2 scores are higher than in previous years, this score identifies China being in Moderate risk zone, and ranked the country the 78th out of 180.</i></p>			

¹⁰⁶ <https://www.transparency.org/en/cpi/2022>

PEFA 2020: Country FM systems are developed enough. The very first subnational PEFA assessment in China was conducted in Hunan province in 8 pilot counties in 2020. The assessments have revealed that the counties' PFM system perform adequately, given the context their budgets operate in, however there is considerable scope for improvement. The main strengths of the PFM system across the counties relates to the budget reporting and control systems. Counties show strong compliance with budget preparation rules and financial data is accurately recorded and reported. Building on the assessment, a series of detailed policy recommendations for improvements are provided. The priorities are:

improve the predictability of Hunan Local Government transfers – a prerequisite for other needed county-level improvements;

- county level improvements which contribute to hardening the budget constraint – improving the credibility and transparency of budget, debt and monitoring of local government financing vehicles;
- address weaknesses in Public Investment Management and procurement systems;
- gradually improve the performance orientation of all elements of PFM over time.

Economy: China's economic activity rebounded in 2023 following the post-COVID reopening with real GDP estimated to have grown broadly in line with the authorities' growth target of around 5 percent. The recovery was driven by domestic demand, particularly private consumption, and assisted by supportive macroeconomic policies, including further relaxation of monetary policy, tax relief for firms and households, and fiscal spending on disaster relief.² Looking ahead, growth is projected to slow to 4.6 percent in 2024 amid the ongoing weakness in the property sector and subdued external demand. Over the medium term, growth is projected to gradually decline further and is projected at about 3½ percent in 2028 amid headwinds from weak productivity and population aging. While inflation fell in 2023 largely on account of lower energy and food prices, it is expected to increase gradually to 1.3 percent in 2024 as the output gap narrows and the base effects of commodity prices recede.¹⁰⁷

Lending terms: GNIpc for China in 2023 became US\$ 12,850¹⁰⁸ and China still remains UMIC¹⁰⁹ and at the same category IV both for WB and IFAD. UMIC borrowers are eligible for BRAM resources which are provided on Ordinary terms. Should GNIpc in China exceeds the current threshold of HIC¹¹⁰ China will adhere to IFAD policy for related arrangements.

Financial Management Risk: Based on the CPI index analysis and PEFA subnational analysis, the country can be classified as of a Moderate FM risk for the COSOP purposes.

¹⁰⁷ <https://www.imf.org/en/News/Articles/2024/02/01/pr2433-china-imf-executive-board-concludes-2023-article-iv-consultation>

¹⁰⁸ GNI per capita as per the World bank Atlas method effective from July 1. 2023

¹⁰⁹ UMIC – upper middle-income country

¹¹⁰ HIC – high income country

B. PORTFOLIO – LESSONS {Strengths and Weaknesses}

Existing Portfolio:

Project	Project Status	% Disbursed of all financing instruments	Project FM inherent risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds	Completion date
IPRAD-SN	Available for Disbursement	62.99	Moderate	Moderately Satisfactory	Mod. satisfactory	Moderately Unsatisfactory	Moderately Satisfactory	31/12/2024
SPRAD-SS	Project Completed	100	Moderate	Satisfactory	Mod. satisfactory	Moderately Unsatisfactory	Moderately Satisfactory	31/12/2023
Y2RDP	Available for Disbursement	19.79	Moderate	Moderately Satisfactory	Mod. unsatisfactory	Unsatisfactory	Moderately Satisfactory	30/06/2025
H2RDP	Available for Disbursement	22.93	Moderate	Moderately Unsatisfactory	Mod. satisfactory	Unsatisfactory	Moderately Satisfactory	30/03/2026
SSTC for Pakistan	Project Completed	20.64	Moderate	Not Specified	Mod. satisfactory	Not Specified	Not Specified	30/03/2022

- Audit Reports**

Timeliness and quality of audit by the Chinese NAO (SAI) is more or less satisfactory for all China projects funded by IFAD and the audit reports are delivered on time. However, the quality of presenting of the financial statements and the audit reports is not in full compliance with IFAD Handbook for Financial Reporting and Auditing, the reports are presented initially in Chinese with translation into English (referring to Chinese as the official reporting language), Management Letters are combined with Audit reports in the same files.

Most ineligible expenditures were captured by NAO during their annual audit reviews mainly relating to procurement. The portfolio currently does not have any pending ineligible.

- Supervision Missions**

Overall the lower disbursement ratings, project implementation levels at province and county levels suffered from the Covid 19 related factors, that led to slow progress at the time. There are no recommendations on additional financing, extensions or cancellation in the portfolio.

There is a request from one of the projects to have a reallocation between cost categories but due to centralized level of decision making the process is long.

All missions are conducted within the planned schedules.

- Comments to the COSOP**

In view of lessons learnt on the ongoing country portfolio, further mitigation measures related to delayed implementation causes may need to be focused on procurement aspects, budget and fund flows at local government level (Provincial and County). According to the new Budget Law and the Decree 85 issued by MoF, IFAD loan is required to be included in government budgeting system. However, IFAD funds are managed by the government treasury. The County PMOs(CPMO) are responsible for preparing the project annual plans and submitting them to PPMO for consolidation. Since the required counterpart funds will be fully raised by county government, the CPMOs will be responsible for ensuring that the required counterpart funds committed in county government's annual budget be available. In particular, it is important to carefully select implementing agencies that have sufficient capacity to implement projects (such new agencies like Forestry Department in Hunan would require more capacity building in project implementation).

There should be also IFAD financial management requirements awareness activities for the portfolio, to have the discussion with MOF and NAO on how to apply those requirements in the country context also considering local legislative circumstances.

To facilitate the smooth disbursement process it is recommended to consider as less cost categories as possible in Costab and Schedule II of the Financing Agreements for new projects.

To date, the portfolio is characterized by low implementation progress caused often by internal project delays and changes in project staff. Mitigation factors should be built in for new projects to avoid these issues in the future.

It would be relevant to mention the income status of the country as this may have an impact on future eligibility of China for IFAD financing when the country graduates from UMIC to HIC status, and this should be openly discussed with the Borrower / Partner country.

Prepared by: **Sr Regional Financial Management Officer – Mark Biriukov**

Date: **26 February 2024**

Procurement risk matrix – Part A Country Level

Findings: IFAD Project	Findings regarding possible non-compliance with Procurement Framework (PPF)
Inherent risk mitigating	The assessed level of risk assuming no additional measures are implemented by the Borrower/Recipient and/or by IFAD
Mitigation:	Proposed Mitigation measure/s
Net Risk: selected/planned	The assessed level of risk assuming that the mitigation measures are reliable and fit-for-purpose of mitigating the impact of the risk should it materialize

Country Assessment

Overall Assessment

Findings:

Legal, regulatory and policy framework are clear and mainstreamed with international procurement practices. Few sub indicators exhibit gaps that have limited impact on procurement performance. All procurement legal and regulatory documents (in Chinese) are accessible at the National Database of Laws and Regulations. There are some constraints on engagement of civil society and stakeholder support to strengthen integrity for procurement policy development, provisions on fraud, corruption and other prohibited practices in consistence with IFAD policies.

Inherent risk: Moderate

Mitigation:

Use OPEN to plan procurement for Project and promote anti-corruption measures in accordance with IFAD regulation.

1 Legal, Regulatory and Policy Framework

Findings:

Legal, regulatory and policy framework are clear and mainstreamed with international procurement practices. Few sub indicators exhibit gaps that have limited impact on procurement performance. The national procurement framework has limited provisions on SPP and obligations deriving from international agreement.

Inherent risk: Moderate

Mitigation:

When needed, make reference to the IFAD procurement framework.

1.1 The public procurement legal framework achieves the agreed principles and complies with applicable obligations

1.1.1 Scope of application and coverage of the legal and regulatory framework **Findings:**

- China Tendering and Bidding Law was issued in 2000 and revised in 2017; - Government Procurement Law was issued in 2002 and revised in 2014. - Regulations on the Implementation of the Tendering and Bidding Law was issued in 2011 and newly revised in 2019 on guidance for the public procurement of goods/works/consulting services/non-consulting services processes. - Regulations on the Enforcement of the Government Procurement Law was issued in 2015 on guidance for government procurement processes; - More than 10 guidelines for various industries. Each province has its own procurement regulations based on the national laws. - All procurement legal and regulatory documents (in Chinese) are accessible at the National Database of Laws and Regulations,

Inherent risk: Low

1.1.2 Procurement methods

Findings:

- 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 Invitation Bidding, Shopping, Competitive Negotiation, etc. For different kinds of less competitive procurement processes with lower thresholds.

- The direct contract can be applied in special cases based on sufficient reasonable ground.

- The IFAD's Consulting Services methods (QCBS/LCS/CQS) are not indicated in the National Procurement Law.

Inherent risk: Moderate

Mitigation:

- The Project Procurement Arrangement (PPA) will specify provisions for application of different procurement methods and direct contracting/single source selection- The Project Procurement Arrangement (PPA) will specify provisions for application of different procurement methods and direct contracting/single source selection.

1.1.3 Advertising rules and time limits

Findings:

- Minimum of 40 days for international bidding, and of 20 days for national Open Bidding (competitive). - Minimum of advertising time from 10 to 20 days for less competitive procurement processes.

Inherent risk: Moderate

Mitigation:

Variations would be effectively managed in Project PIM based on IFAD's Procurement Guidelines.

1.1.4 Rules on participation

Findings:

Bidder's eligibility requirements are specified in Regulations on the Implementation of the Tendering and Bidding Law, and elaborated in the standard bidding documents.

Inherent risk: Moderate

Mitigation:

- The rules for participation of state-owned enterprises should be considered in legislation.

1.1.5 Procurement documentation and specifications

Findings:

- Standard Bidding Documents (SBDs) for NCB of Goods and Works issued by Ministry of Finance in 1991 and newly revised in 2017, which are specially applied for international funded projects. - For other procurement methods, the documentation template of IFAD or WB could be applied.

Inherent risk: Low

1.1.6 Evaluation and award criteria

Findings:

The evaluation and award criteria are indicated in the standard bidding document/RFP. **Inherent risk:** Low

1.1.7 Submission, receipt and opening of tenders**Findings:**

- The bid opening shall be conducted publicly at the same time as the deadline for submission of bid documents specified in the bidding documents.
- The bid opening process shall be recorded and filed for future reference.

Inherent risk: Low

1.1.8 Right to challenge and appeal**Findings:**

Procedures and timeframe for settlement of procurement challenges and appeals are specified in China Tendering and Bidding Law.

- The scope of challenge and appeal can extend to superior competent departments and independent supervisory departments.

Inherent risk: Low

1.1.9 Contract management**Findings:**

Standard contract format is included in the SBDs (MOF version) with provisions on contract amendments and dispute resolves.

- Model contracts are available for various industries, Contract of Construction Project was issued by Ministry of Housing and Urban-Rural Development in 2017 (GF-2017-0201).

Inherent risk: Low

1.1.10 Electronic Procurement (e-Procurement)**Findings:**

- In China, the Electronic Bidding Measures was issued and implemented in 2013. - From 2020, the e- procurement processes are pervasively applied for competitive tendering of Works/Goods/Services. - At the national level and in each province, there are respective public resource trading platform with the e- Procurement

function. - The e-procurement processes are not mandatory for international funded projects.

Inherent risk: Low

1.1.11 Norms for safekeeping of records, documents and electronic data **Findings:**

- Procurement documents and records are archived for at least 15 years after the contract liquidation. **Inherent risk:** Low

1.1.12 Public Procurement principles in specialized legislation

Findings:

No public procurement laws apply to the selection and contracting on public private partnership (PPP) in China.

Inherent risk: Substantial

Mitigation:

Project design does not envisage PPP contracts and project will not entering into scale PPP contracts. . However, if there are any PPP Partnerships then these process should be conducted through a franchise model and partners should be selected through open competition such as bidding.

1.2 Implementing regulations and tools support the legal framework

1.2.1 Implementing regulations to define processes and procedures conditions **Findings:**

Regulations on the Implementation of the Tendering and Bidding Law was issued in 2011 and newly revised in 2019 on guidance for the public procurement of goods/works/consulting services/non-

consulting services processes. - More than 10 guidelines in various industries for Works/Goods/Services. Each province has its own procurement regulations based on the national laws. - - All procurement legal and regulatory documents (in Chinese) are accessible at the National Database of Laws and Regulations, **Inherent risk:** Low

1.2.2 Model procurement documents for goods, works and services

Findings:

Standard Bidding Documents (SBDs) for NCB of Goods and Works issued by Ministry of Finance in 1991 and newly revised in 2017, which are specially applied for international funded projects. - The model procurement documents are available for various industries, for example, Transportation Engineering Standard Construction Bidding Document was issued by Ministry of Transport in 2009 and newly revised in 2018.

Inherent risk: Low

1.2.3 Standard contract

Findings:

- Standard contract format is included in the SBDs (MOF version) with provisions on contract amendments and dispute resolves. - Model contracts are available for various industries, Contract of Construction Project was issued by Ministry of Housing and Urban-Rural Development in 2017 (GF-2017-0201).

Inherent risk: Low

1.2.4 User's guide or manual for procuring entities (insert link to manual if possible)

Findings:

More than 10 guidelines in various industries for Works/Goods/Services. Each province has its own procurement regulations based on the national laws. - Part of the guidelines or manuals accessible at the National Database of Laws and Regulations, <http://flk.npc.gov.cn>.

Inherent risk: Low

1.3 The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations

1.3.1 Sustainable Public Procurement (SPP)

Findings:

The concept and requirement of SPP have been advocated and encouraged by government for years in China. Some departments of industries have prescribed the provisions in the departmental manual. - The national procurement framework has limited provisions on SPP.

Inherent risk: Moderate

Mitigation:

Pursue with MOF and National government the development of SPP provisions as part of the national procurement framework.

1.3.2 Obligations deriving from international agreement

Findings:

The national procurement framework has limited provisions on obligations deriving from international agreement.

Inherent risk: Moderate

Mitigation:

The national procurement law does provide for clauses whereby procurement laws and regulations of international organization are applicable when resources are from International Organization. Apply IFAD GC and IFAD Procurement Framework where applicable.

2 Institutional Framework and Management Capacity

Findings:

Institutional Framework and Management Capacity exhibit some gaps and weaknesses. In particular, the capacity of developing and improving the public procurement system are relatively weak.

Inherent risk: Moderate

Mitigation:

N/A

2.1 The public procurement system is mainstreamed and well-integrated with the public financial management system

2.1.1 Procurement planning and the budget cycle

Findings:

Five years budget cycle and annual budget plan are prepared by state line agencies. However, budget funds are not always appropriated in a timely manner and cover the full amount of the annual planned activities. - The national procurement framework has limited provisions on procurement plan.

Inherent risk: Substantial

Mitigation:

Use OPEN to plan procurement for Project. AWPB and PP to be aligned on yearly basis. PPA to clearly address this.

2.1.2 Financial procedures and the procurement cycle**Findings:**

No solicitation of tenders/proposals takes place without certification of availability of funds. - The national regulations/procedures for processing of invoices and authorization of payments are followed, publicly available and clear to potential bidders.

Inherent risk: Low

2.2 The country has an institution in charge of the normative/regulatory function**2.2.1 Status and legal basis of the normative/regulatory institution function Findings:**

The normative/regulatory functions are clearly assigned to ministries and line agencies within the government.

Inherent risk: Low

2.2.2 Responsibilities of the normative/regulatory function**Findings:**

- The Procurement Administration Department under State Council takes overall responsibilities of the procurement-related normative/regulatory functions at national level.

Inherent risk: Low

2.2.3 Organisation, funding, staffing, and level of independence and authority Findings:

The institution's internal organization, authority and staffing the Procurement Administration Department under the State Council are sufficient and consistent with its responsibilities.

Inherent risk: Low

2.2.4 Avoiding conflict of interest

Findings:

The normative/regulatory institution are structured and functioned at higher level than Implementing Agencies in government and are independent to avoid conflicts of interest.

Inherent risk: Low

2.3 Procuring entities and their mandates are clearly defined

2.3.1 Definition, responsibilities and formal powers of procuring entities

Findings:

- Definition, responsibilities and formal power of procuring entities are clearly defined China Tendering and Bidding Law. - 100% procuring entities with a designated, specialized procurement function.

Inherent risk: Low

2.3.2 Centralised procurement body

Findings:

Legal status, funding, responsibilities and decision-making powers of centralized procurement units at national and provincial levels are clearly defined.

Inherent risk: Low

2.4 Public procurement is embedded in an effective information system

2.4.1 Publication of public procurement information supported by information technology

Findings:

- The centralized online China Tendering and Bidding Public Service Platform (www.cebpubservice.com) provides up-to-date information and is accessible to all interested parties. - On some website or platform, it needs to pay for accessing the detail information of publication. The procurement plan is rarely published. - No detailed data supported for quantitative indicators could be attained from online portal. **Inherent risk:** Moderate

Mitigation:

As the public electronic platform is rolled out across the country, free access to publication will be the general trend in China. - The publication of procurement information could be achieved through the GPN publishing.

2.4.2 Use of e-Procurement

Findings:

- In China, the Electronic Bidding Measures was issued and implemented in 2013. - From 2020, the e- procurement processes are pervasively applied for competitive tendering of Works/Goods/Services. - At the national level and in each province, there are respective public resource trading platform with the e- Procurement function. - The e-procurement processes are not mandatory for international funded projects **Inherent risk: Low**

2.4.3 Strategies to manage procurement data

Findings:

-The national and provincial online public resource trading platforms have the functions of managing the procurement data of Goods/Works/Consulting Services.

Inherent risk: Low

2.5 The public procurement system has a strong capacity to develop and improve

2.5.1 Training, advice and assistance

Findings:

- There are sufficient training programs related procurement organized by NGOs associated with Tendering & Bidding Associations both at the national and local levels.

The multiple channels to access the procurement training, advice and assistance, for example, a national procurement training platform is available (<http://www.ztbpx.org.cn>). - Less training, advice and assistance could be directly acquired from government department relate to procurement.

Inherent risk: Moderate

Mitigation:

The advisory service could be provided by independent and professional procurement agencies, supported by practical guidance. - Develop the capacity of procurement officials by increasing the professional procurement training at project level.

2.5.2 Recognition of procurement as a profession

Findings:

Specialized procurement institutions are defined in China Tendering and Bidding Law, including the foundations, qualifications, scope of services. - Regular examinations for awarding professional procurement certifications are organized by the National Development and Reform Commission (NDRC), Ministry of Housing and Urban-Rural Development, Ministry of Commerce, etc., due to the different scope of services. - The personnel certification is managed by China Tendering & Bidding Association. - The professional certifications regarding to the government procurement department are absent.

Inherent risk: Moderate

Mitigation:

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.

2.5.3 Monitoring performance to improve the system

Findings:

The audit department has the function of monitoring the performance of public procurement. - The performance evaluation has been widely implemented in government funded projects in practice. - The performance management system still needs to be improved, more comprehensive monitoring indicators should be applied for performance assessment.

Inherent risk: Moderate

Mitigation:

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.

3 Public Procurement Operations and Market Practices

Findings:

Overall, public procurement operations and market practices is effective and efficient. **Inherent risk:** Low

3.1 Public procurement practices achieve stated objectives

3.1.1 Procurement Planning

Findings:

The national procurement framework has limited provisions on procurement plan. - The sustainability criteria applied during the planning stage are not sufficiently to ensure value for money.

Inherent risk: Moderate

Mitigation:

Highlight the importance of needs analysis and market research and put into action by using the appropriate analysis tools. - Improve the bidding document containing the sustainability to ensure the value for money at planning stage.

3.1.2 Selection and contracting

Findings:

Procedures for bid submission, receipt and opening are clearly described in related procurement regulations. E-Procurement is broadly applied for public procurement activities. Contract awards are announced on National media as required - Quantitative indicators: 1) Average time to procure: 40–60 days; 2) Number of days between advertisement and contract signature: 30–50 days; 3) Average number (and %) of bids that are responsive: over 90%; 4) Share of processes in full compliance with publication requirements: over 95%; 5) Number (and %) of successful processes: over 95%.

Inherent risk: Low

3.1.3 Contract management in practice

Findings:

Inspection, quality control, supervision of work and final acceptance of products is carried out with records. - Delays in contract implementations are often happened due to objective and subjective matters

- Not all contracts with complete and accurate records and databases.

Inherent risk: Moderate

Mitigation:

Monitoring closely contract implementation progress with periodic progress reports and follow-up actions.

- Establish the procurement statistics system in place to measure and improve procurement practices at project level.

3.2 The public procurement market is fully functional

3.2.1 Dialogue and partnerships between public and private sector

Findings:

The government encourages open dialogue with the private sector. Several established and formal mechanism are available for open dialogue association (Tendering & Bidding Associations, website: www.ctba.org.cn), including a transparent and consultative process when formulating changes to the public procurement system.

Inherent risk: Low

3.2.2 Private sector's organisation and access to the public procurement market

Findings:

The private sector is competitive, well-organized and willing to participate in the competition for public procurement contracts. - Whether the private sector is able to participate in the competition depends on its level of qualifications in relevant industry granted by government department in charge of industry. - There are no major systemic constraints inhibiting private sector access to the public procurement market. - There are a large number of qualified/registered private sectors (constructors, vendors and suppliers) for Works, Goods and Consulting Services.

Inherent risk: Low

3.2.3 Key sectors and sector strategies

Findings:

- Key sectors associated with the public procurement market are identified by the government. - Issues and risks associated with processes and procedures for selection of PPP investors/bidders are assessed by the government.

Inherent risk: Low

4 Accountability, Integrity and Transparency of the Public Procurement System **Findings:**

Overall, the public procurement system operates with integrity, that has appropriate controls, and that has appropriate anti-corruption measures in place. There are some constraints on engagement of civil society and stakeholder support to strengthen integrity for procurement policy development, provisions on fraud, corruption and other prohibited practices in consistence with IFAD policies.

Inherent risk: Low

4.1 The country has ethics and anti-corruption measures in place

4.1.1 Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountability and penalties

Findings:

- The legal liability of prohibited practices, conflicts of interest and associated responsibilities, accountability and penalties in procurement are specified in Articles 63-81, Regulations on the

Implementation of the Tendering

and Bidding Law. **Inherent risk:**

Low

4.1.2 Provisions on prohibited practices in procurement documents

Findings:

- Standard bidding documents/RFPs include provisions on fraud, corruption and other prohibited practices, as specified in the procurement regulatory framework. - The procurement documents mandate the

bidders submit their search-results of credit status derived from website CREDITCHINA (www.creditchina.gov.cn) on which could manifest the credit status/prohibited practices of bidders nationwide.

Inherent risk: Low

4.1.3 Effective sanctions and enforcement systems

Findings:

- The effective sanctions and enforcement systems in procurement are specified in Articles 63-81, Regulations on the Implementation of the Tendering and Bidding Law - The procurement processes relate to fraud, corruption and other prohibited practices will be publicly revealed on the nationwide online sanctions platforms. For instance, National Enterprise Credit Information Publicity System (<http://www.gsxt.gov.cn>), National Construction Market Supervision Public Service Platform (<http://jzsc.mohurd.gov.cn>).

Inherent risk: Low

4.1.4 Anti-corruption framework and integrity training

Findings:

- China Supervision Law was issued in 2018, in which the anti-corruption framework to prevent, detect and penalize corruption in government that involves the Anti-corruption Unit in the National Supervisory Commission and National Audit Office was established. - Special integrity training programs are offered and the procurement workforce regularly participates in this training.

Inherent risk: Low

4.1.5 Stakeholder support to strengthen integrity in procurement

Findings:

- 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.

Inherent risk: Substantial

Mitigation:

- Promote anti-corruption framework, establish internal compliance measures or support integrity and

ethical behavior in public procurement. Audits to review procurement functions in county investment intermediaries.

4.1.6 Secure mechanisms for reporting prohibited practices or unethical behaviour

Findings:

- Based on the China Tendering and Bidding Law and China Supervision Law, there are secure, accessible and confidential channels for reporting cases of fraud, corruption or other prohibited practice or unethical behavior. - There are legal provisions to protect whistle-blowers, including China Supervision Law at national level and related regulations at provincial level.

Inherent risk: Low

4.1.7 Codes of conduct/codes of ethics and financial disclosure rule

Findings:

- Codes of conduct are promulgated by state agencies at government and state-owned enterprises. - Government staffs are required to disclose their assets and incomes.

Inherent risk: Low

4.2 Transparency and civil society engagement strengthen integrity in public procurement

4.2.1 Enabling environment for public consultation and monitoring

Findings:

- The direct consultative process targets mainly national and sub-national government agencies and private sector when formulating changes to the public procurement system. - Civil society can engage in the consultative process via the ministerial websites.

Inherent risk: Low

4.2.2 Adequate and timely access to information by the public

Findings:

- All stakeholders have adequate and timely access to information in each phase of the public procurement process related to specific procurements via the online China

Tendering and Bidding Public Service Platform (www.cebpubservice.com) and each provincial public resource trading platform.

Inherent risk: Low

4.2.3 Direct engagement of civil society

Findings:

- The legal/regulatory and policy framework allows citizens to participate in most procurement processes through consultation but without ample evidence for direct participation in procurement processed

through observation and monitoring.

Inherent risk: Moderate

Mitigation:

Due to prevailing laws it would be difficult for civil society to participate. Potentially a long-term measure which could be explore with significant reforms.

4.3 The country has effective control and audit systems

4.3.1 Legal framework, organisation and procedures of the control system

Findings:

- China Audit Law was issued in 1994 and newly revised in 2006. - Regulations on Implementation of Audit Law was issued in 1997 and newly revised in 2010.

Inherent risk: Low

4.3.2 Co-ordination of controls and audits of public procurement

Findings:

- Government Procurement Law prescribed the provision that all government procurement activities should be audited by auditing institutions. All stakeholders, including executive agencies and superior management departments, should be subject to auditing supervision. (Article 68 of Government Procurement Law).

Inherent risk: Low

4.3.3 Enforcement and follow-up on findings and recommendations

Findings:

- Enforcement and follow up on findings and recommendations will be provided in formal Audit Report. **Inherent risk:** Low

4.3.4 Qualification and training to conduct procurement audits

Findings:

- The China Audit Law prescribed the provisions that the auditor shall apply a system of professional qualifications for auditing. Audit institutions may engage persons with professional knowledge related to audit matters to participate in audit work if

necessary.(Article 11 of China Audit Law) - There are ad-hoc trainings on procurement audits as parts of investment inspection/audit trainings.

Inherent risk: Low

4.4 Procurement appeals mechanisms are effective and

efficient 4.4.1 Process for challenges and appeals

Findings:

- If a bidder or any other stakeholders considers that the procurement activities do not conform to the provisions of laws and administrative regulations, it may lodge a challenge or an appeal with the relevant administrative supervision department within 10 days from the date it becomes aware of or should have become aware of it. The complaint shall have a clear request and necessary supporting materials. (Article 60 of Regulations on the Implementation of the Tendering and Bidding Law).

Inherent risk: Low

4.4.2 Independence and capacity of the appeals body

Findings:

- The appeals body (superior administrative department) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions. - The appeals body does not charge fees that inhibit access by concerned parties.

Inherent risk: Low

4.4.3 Decisions of the appeals body

Findings:

- The appeal body shall decide whether to accept the complaint within 3 working days from the date of receiving the complaint, and make a written decision on handling the complaint within 30 working days from the date of accepting the complaint. The time required for inspection, detection, appraisal or expert review shall not be counted. (Article 61 of Regulations on the Implementation of the Tendering and Bidding Law)

Inherent risk: Low

Integrated country risk matrix

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Country context			
Political commitment			
There is strong political commitment of both central and local governments to the COSOP 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 COSOP will contribute to. China will strive to peak carbon dioxide emission before 2030 and achieve carbon neutrality before 2060. 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 documents for 2024 and the past decade continue 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 COSOP life before 2030, no major risks are foreseen in terms of political commitment. Government financing for agricultural and rural sector and for IFAD projects has always been adequate in recent projects as result of the targeted poverty reduction strategy and rural revitalization strategy.	Low	Low	n/a
Governance			

<p>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.</p> <p>Risks are likely with regard to performance and accountability of staff in relevant institutions in the county level and in rural communities.</p>	Low	Low	<ul style="list-style-type: none"> • IFAD SECAP procedures in terms of stakeholder engagement, target group derisk, participation and benefit be adequately implemented; • Investment project considers essential capacity building and management structure in its design and implementation
<p>Macroeconomic</p>			
<p>China is on steady recovery path from the pandemic with economic growth rebound to 5.6% in 2023 and forecasted similar growth in 2024, with steady surge in sales and consumer spending. 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 continue to provide support to the recovery through tax cuts and exemptions.</p> <p>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 2023¹¹¹) 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 gradually recover with bilateral and global trade tensions being eased.</p> <p>Overall GDP shall gradually return to its estimated potential rate. China will continue to consolidate its “dual circulation” model to enhance its economic growth, maintaining growth rate while enhance development quality and resilience.</p>	Low	Low	n/a
<p>Fragility and security</p>			

¹¹¹ According to data from the National Bureau of Statistics, the surveyed unemployment rate for the labor force aged 16 to 24 was 20.4% in April 2023.

<p>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; Aging and population peak may have long-term impact to the fragility of the country. Geopolitics dynamics poses uncertainties to overall economic perspective and some sub-sector development.</p>	Low	Low	<ul style="list-style-type: none"> • Tailored measures by government to promote youth employment (vocational training, loan subsidy, employment services etc.) • Expanding coverage and benefit adequacy of social safety nets; • Further promote rural-urban integration and develop county-wide and centred economy • IFAD Project counties will avoid those already hit debt “red line” defined by government
<p>Sector strategies and policies <i>The risks to the achievement of COSOP strategic objectives stemming from a country’s sector-level strategies and polices.</i></p>			
<p>Policy alignment</p>			
<p>Government strategies and policies mostly aligned well with IFAD priorities relating to reducing poverty and vulnerability, increasing food security, improving nutrition and strengthen resilience and promoting sustainable and green development. China’s rural revitalization and vision for common prosperity and carbon neutral economy provides ample contextual space for IFAD COSOP to be adequately implemented. Governments expects IFAD interventions in China to add value by demonstrating innovative ideas and practices that can contribute to rural revitalization in the country, while also facilitating spill-over effect of IFAD’s China operation and China’s development contributing to global public goods, through SSTC. Pipeline projects will be developed through a consultative process involving stakeholders including IFAD in line with IFAD strategic framework and COSOP, leveraging co-financing from government programs and private sectors in the country to maximize the alignment and value addition of the partnership. Higher level impact, replicability and/or scaling up will be pursued in the partnership through investment projects. SECAP will be further integrated in the project design and implementation to minimize project risks while also enhancing resilience of the operations and target groups, anticipating replicability of IFAD SECAP procedures to relevant government programs and procedures.</p>	Low	Low	<ul style="list-style-type: none"> • IFAD-government undertakes consultation on pipeline project development before being finalized; • Consultations with project initiators undertaken before and while project concept being formulated; • Project design teams undertake adequate consultation with relevant stakeholders and governments to maximize policy alignment
<p>Policy development and implementation</p>			

<p>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.</p> <p>On the other hand, relevant policies, strategies and best practices from IFAD or international development partners may not be well comprehended by some local governments, despite being accepted or appreciated by central level ministries and stakeholders.</p>	<p>Low</p>	<p>Low</p>	<ul style="list-style-type: none"> • Institutional capacity building, demonstration, enhanced monitoring and evaluation plus learning through project implementation will 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
<p>Environmental, social and climate context</p> <p>Climate change poses significant risks to economic stability at household and country levels, as natural hazards and extreme weather events affect various sectors and threaten development goals. Climate change exacerbates social disparities and affects rural livelihoods, especially for vulnerable groups such as smallholder farmers, women, youth, and ethnic minorities. Climate change impacts on food security, nutrition, health, and migration require targeted support and social protection measures. Climate change threatens China's environment, including its biodiversity and natural resources. Projected temperature increase will lead to more frequent and severe droughts, floods, heatwaves, posing increasing risks to agricultural and food systems, health, livelihoods and ecosystems. Water stress, soil degradation and coastal flooding are some of the outstanding impacts that require adaptation actions.</p> <p>Challenges persists in agricultural waste management, reliance on chemicals for productivity, and food safety.</p> <p>In social aspects, fast aging society especially among the rural population and their lack of access to equal and quality social services poses significant challenges for rural revitalization.</p> <p>While malnutrition has been significant reduced, there is growing prevalence of overweight and obesity remains a pressing concern due to lack of health diet and awareness.</p>	<p>Moderate</p>	<p>Moderate</p>	<ul style="list-style-type: none"> • Adopt a comprehensive policy approach integrating climate resilience strategies alongside measures to address regional and urban-rural disparities; • Effectively implementing climate related policies and strategies in rural and agricultural sectors; • Implementing climate-smart agricultural practices, developing drought and flood-resistant crop varieties, and investing in agricultural research and development • Provide capacity building and extend technical solutions to agriculture-based entities, stakeholders and farmers; • Expand and upgrade social and public services for rural communities, especially the aged and disadvantaged groups • Enhance nutrition education and promote healthy diets among the population

			<ul style="list-style-type: none"> • Enhance implementation of policies and laws relating to gender and women's rights;
Financial management <i>The risk that COSOP activities are not carried out in accordance with the provisions of IFAD's financial regulations and that funding is not used for the intended purpose with due regard to economy, efficiency and effectiveness.</i>			
Organization and staffing The structure of IFAD funded projects in China is formed as implementing units fully integrated in the overall structure of the government implementing agencies which gives more ownership in project management, however, this also affects the project implementation which should follow rigorous government requirements in payroll, staff recruitments and their capacity level, these sometimes require change of mindset of international practice in applying the project management, professional staff recruitment, accounting and reporting practice.	Moderate	Moderate	The accounting profession is regulated in China and the IFAD funded projects would need to select the project finance staff based on the country requirements to the profession.
Budgeting The budgeting process in the country in all levels (national, provincial, prefecture and county) is quite strong, however, the rigorous local budget rules in some cases may cause slow decision-making processes, non-flexibility in reallocation between cost categories and updating of AWPBs. These budget procedures in turn cause the delays or a low level in the overall project budget performance.	Moderate	Moderate	Ensure coordination with Ministry of Finance and other relevant government institutions to ensure adequate budget allocation in alignment with AWPB for IFAD financed projects in Central, Provincial or County level budget submissions for approval.
Funds flow/disbursement arrangements Reimbursement system at the county level has not worked in its entirety as anticipated. The county budgets do not pre-pay the expenditures as it was envisaged but exercise the strict control on supporting document verification which is further duplicated at the provincial level. This reimbursement approach in its current form adds another layer of compliance leading to some delays in the funds flow and disbursements.	Moderate	Moderate	The project procedures as well as the provincial department of finance regulations should be reviewed and adapted to the most efficient way to allow smooth disbursement process without compromising control.
Country internal controls Overall, the internal control system in projects is strictly followed by the project team in accordance with Project Implementation Manuals and government procedures. The internal audit function is not used in the project level.	Moderate	Moderate	Functions of Ministry of Finance / Treasury control on IFAD resources are quite strong although the internal audit function would require more emphasis in design of new projects as this function is not applied in current IFAD funded projects in China.

<p>Accounting and financial reporting</p> <p>All Chinese projects (not only IFAD's but also WB's, ADB's and others) have been applying the China MOF's circular on accounting and financial reporting for projects implemented by WB issued in 2000. It's an "outdated" document which is still used by the implementing agencies in preparation of their financial reporting and auditors during their audits.</p>	Moderate	Moderate	<p>The MOF issued their own temporary instruction guiding the accounting rules for IFAD funded projects. This instruction prescribes the use of Chinese Accounting Standards (CAS) for IFAD funded projects, the CAS are accrual-based accounting standards.</p>
<p>External audit</p> <p>IFAD financed projects have used the National Audit Office and its provincial Audit Offices for auditing their annual financial statements. The audits are almost in accordance with the IFAD Audit Handbook for Financial Reporting and Auditing with some cases of deviation in presentation / structure of the audit reports, attached audited financial statements and management letter.</p>	Moderate	Moderate	<p>There is still some room for improvement and in particular, the audit reports shall be submitted to IFAD in English and with full set of the annexes as required by IFAD Handbook.</p>
<p>Procurement issues</p> <p>Legal, regulatory and policy framework are clear and mainstreamed with international procurement practices. Few sub indicators exhibit gaps that have limited impact on procurement performance. All procurement legal and regulatory documents (in Chinese) are accessible at the National Database of Laws and Regulations. There are some constraints on engagement of civil society and stakeholder support to strengthen integrity for procurement policy development, provisions on fraud, corruption and other prohibited practices in consistence with IFAD policies.</p>	Moderate	Moderate	<p>Use OPEN to plan procurement for Project and promote anti-corruption measures in accordance with IFAD regulation.</p>

<p>Pillar I. Legal, regulatory and policy framework</p> <p>Legal, regulatory and policy framework are clear and mainstreamed with international procurement practices. Few sub indicators exhibit gaps that have limited impact on procurement performance. The national procurement framework has limited provisions on SPP and obligations deriving from international agreement.</p>	<p>Moderate</p>	<p>Moderate</p>	<p>When needed, make reference to the IFAD procurement framework he Project Procurement Arrangement (PPA) will specify provisions for application of different procurement methods and direct contracting/single source selection The Project Procurement Arrangement (PPA) will specify provisions for application of different procurement methods and direct contracting/single source selection The Project Procurement Arrangement (PPA) will specify provisions for application of different procurement methods and direct contracting/single source selection Variations would be effectively managed in Project PIM based on IFAD's Procurement Guidelines.</p>
<p>Pillar II. Institutional framework and management capacity</p> <p>Institutional Framework and Management Capacity exhibit some gaps and weaknesses. In particular, the capacity of developing and improving the public procurement system are relatively weak.</p>	<p>Moderate</p>	<p>Moderate</p>	<p>Use OPEN to plan procurement for Project. AWPB and PP to be aligned on yearly basis. PPA to clearly address this. As the public electronic platform is rolled out across the country, free access to publication will be the general trend in China. - The publication of procurement information could be achieved through the GPN publishing. 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.</p>

			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>Pillar III. Public procurement operations and market practices</p> <p>Overall, public procurement operations and market practices are effective and efficient.</p>	Low	Low	Highlight the importance of needs analysis and market research and put into action by using the appropriate analysis tools Monitoring closely contract implementation progress with periodic progress reports and follow-up actions.
<p>Overall, the public procurement system operates with integrity, that has appropriate controls, and that has appropriate anti-corruption measures in place. There are some constraints on engagement of civil society and stakeholder support to strengthen integrity for procurement policy development, provisions on fraud, corruption and other prohibited practices in consistence with IFAD policies.</p>	Low	Low	Promote anti-corruption framework, establish internal compliance measures or support integrity and ethical behaviour in public procurement. Audits to review procurement functions in county investment intermediaries.
