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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Eighty-Fifth Session**  
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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**PEOPLE'S REPUBLIC OF CHINA**

FOR THE

**SOUTH GANSU POVERTY-REDUCTION PROGRAMME**



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**CURRENCY EQUIVALENTS**

Currency unit	=	Yuan renminbi (CNY)
USD 1.00	=	CNY 8.19
CNY 1.00	=	USD 0.12

**WEIGHTS AND MEASURES**

	=	2.204 pounds (lb)
1 kilogram (kg)	=	1 metric tonne (t)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
ha 1 hectare	=	2.47 acres
1 mu	=	0.066 ha
1 ha	=	15 mu

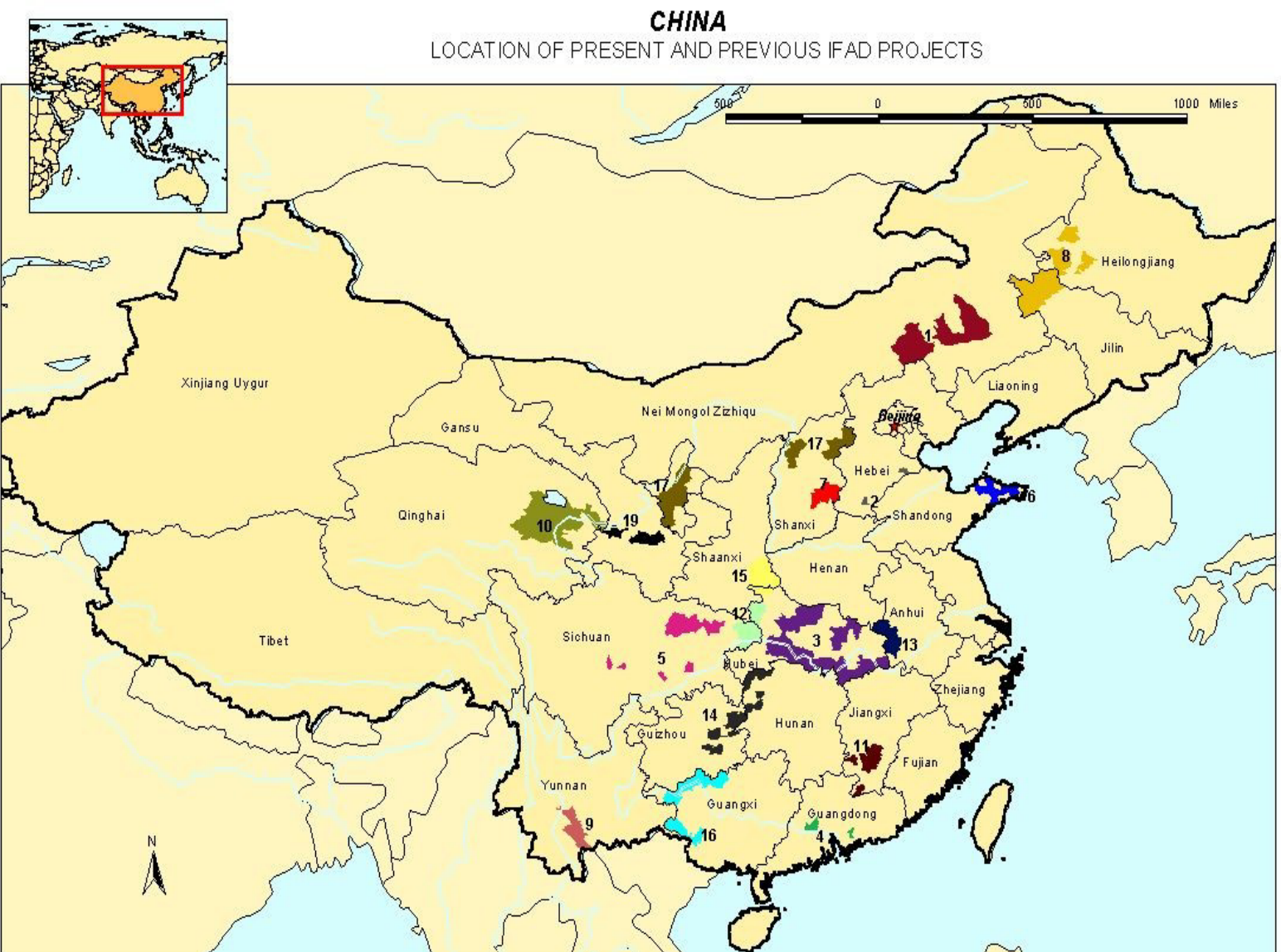
**ABBREVIATIONS AND ACRONYMS**

AsDB	Asian Development Bank
CBRC	China Banking Regulatory Commission
CCA/UNDAF	Common Country Assessment/United Nations Development Assistance Framework
CPF	country programme framework
DOA	Department of Agriculture
DOF	Department of Finance
GDP	gross domestic product
GEF	Global Environment Facility
GFP	gender focal point
LGOPA	Leading Group Office for Poverty Alleviation
MOF	Ministry of Finance
PA	programme area
PDOF	provincial Department of Finance
PLG	programme leading group
PMO	programme management office
PRA	participatory rural appraisal
RCC	rural credit cooperative
RCCU	Rural Credit Cooperative Union
RIMS	Results and Impact Measurement System
UNOPS	United Nations Office for Project Services
VDP	village development plan
VIG	village implementation group
WF	Women's Federation
WFP	World Food Programme

**GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA**  
**Fiscal Year**

1 January – 31 December

MAP OF THE PROGRAMME AREA<sup>1</sup>



Source: IFAD Appraisal Report.

<sup>1</sup>Please see Appendix II, Previous IFAD Financing to China.

*The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*

**PEOPLE'S REPUBLIC OF CHINA**  
**SOUTH GANSU POVERTY-REDUCTION PROGRAMME**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	People's Republic of China
<b>EXECUTING AGENCY:</b>	Ministry of Finance
<b>TOTAL PROGRAMME COST:</b>	USD 80.59 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 20.15 million (equivalent to approximately USD 29.25 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIER:</b>	World Food Programme
<b>AMOUNT OF COFINANCING:</b>	USD 4.7 million
<b>TERMS OF COFINANCING:</b>	Grant
<b>CONTRIBUTION OF BORROWER:</b>	USD 31.85 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 14.4 million (including voluntary labour equal to USD 10.6 million)
<b>APPRAISING INSTITUTION:</b>	IFAD and World Food Programme
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services

## PROGRAMME BRIEF

### Who are the beneficiaries?

The target group comprises 300 000 households in the 109 poorest townships of ten of the poorest counties in the middle-southern part of Gansu Province. The population comprises substantial Muslim minorities, living predominantly in the Linxia Autonomous Prefecture. At least 90% of the households are poor to very poor and about 10% are classified poorest, and of these poorest households many persons are physically unable to undertake any type of labour. Women are the most significant part of the target group, since they contribute most to farm production and household tasks. Women have less than average access to education and training and hence to income-earning opportunities. Average income per capita is USD 80, and is derived from an arable area of 0.2 ha of drylands and some livestock. Off-farm income is not a major source of income in most households.

### Why are they poor?

Most villages are in remote mountainous areas with obsolete, inadequate health and education facilities, low-yielding arable land, degraded rangeland and weak extension services. Living conditions are harsh, and lack of water for irrigation and domestic use is dramatic in many locations. Distance from schools and cost of education prevent many children from attending school. Almost all arable land is rainfed and about 80% is on slopes. Rainfall is unreliable, with regular droughts. Farmers cannot afford to use improved technology because of the lack of funds and education. This results in a food deficit for most households during a period of from two to four months. Average grain availability is only about 370 kg annually. Farmers have developed complex tilling mechanisms that make the most of local conditions and minimize the inherent risks. Some sloping land can be improved with simple, but still substantial investments in terms of resources and family labour. Other sloping land really needs to be returned to grazing area or, in some cases, to perennial tree/shrub cover, which may only be possible if productivity of the better land is improved.

### What do they expect from the programme?

The expressed priority needs of the households, as determined by participatory rural appraisal (PRA), are to have: (i) a sufficient food supply, with which to bridge the hungry season, and access to safe drinking water; (ii) increased income; and (iii) improved education and health facilities. Moreover, findings of the field visits emphasized strong expectations for improved health, education and extension services. In general, the households consulted requested assistance with investments in productive activities, principally livestock, in order to raise their incomes and improve food security. There is growing awareness of environmental issues, and thus protection of common resources is a priority as well.

### How will they participate?

PRA workshops were conducted to train selected county and township level programme management offices (PMOs) in the use of the PRA methodology. Further training sessions, including experimental planning during the first programme year, will be held to prepare village development plans (VDPs). Functional literacy and training will be offered mainly to women in order to facilitate understanding of administrative procedures and improve their capacity to participate in technical-skills training and related productive activities. The target group will provide labour for community-based civil works, assess programme services, and prepare six-monthly reports. Poor farmers will be selected for demonstrations in their fields and assisted in conducting them. Beneficiaries will be represented in the village implementation groups that monitor the VDPs and organize maintenance and user groups.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE  
PEOPLE'S REPUBLIC OF CHINA  
FOR THE  
SOUTH GANSU POVERTY-REDUCTION PROGRAMME**

I submit the following report and recommendation on a proposed loan to the People's Republic of China for SDR 20.15 million (equivalent to approximately USD 29.25 million) on highly concessional terms to help finance the South Gansu Poverty-Reduction Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

**PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. The People's Republic of China covers an area of 9.6 million km<sup>2</sup> and is the most populous country in the world, with over 1.3 billion people. The state-owned enterprise sector is currently reorganizing itself completely, shedding millions of jobs. Simultaneously, the Government is stimulating public investment in infrastructure. In 2002 "secondary" industry remained the largest productive sector, accounting for well over half of gross domestic product (GDP), generating 80% of the country's exports and employing well over 125 million workers. Services accounted for more than 33% of GDP, while agriculture's share continued to decline to well below 10%. China joined the World Trade Organization in 2001 and this may bring a rapid and sustained liberalization of the national economy, increasing competition in all sectors, including agricultural trade and financial services.

2. The agricultural sector continues to play a dominant role in terms of employment and constitutes an important income source for many millions of rural households. Annual crops dominate the production pattern of agriculture (55%), followed by animal husbandry (30%) and fisheries (10%). Livestock output has grown rapidly, in line with demand emanating from prospering cities. Agricultural income per farmer is declining steadily, mainly due to the return of millions of labourers to agriculture after being laid off by state-owned enterprises. Objectives of the Tenth Five-Year Plan are to increase the proportion of the animal-husbandry contribution to agricultural GDP, transfer 40 million agricultural workers to secondary and tertiary occupations, and achieve an average 5% annual growth rate in the net income of Chinese farmers. Measures will be taken to reduce the burden of taxes and fees on family income and to further stabilize land rights. The financial system of China has undergone considerable reform, and rural credit cooperatives (RCCs) are the main financial intermediary in rural China. They have the only extensive network reaching out to the vast majority of townships throughout the country. The China Banking Regulatory Commission (CBRC) has supervised the reform of RCCs since July 2003 and has processed guidelines for microlending to individual farmers.

**B. Lessons Learned from Previous IFAD Experience**

3. Since 1980 IFAD has financed 18 loans to China, for a total of about USD 446 million. Performance of projects has been good: objectives are often achieved ahead of time, and poor

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<sup>1</sup> See Appendix I for additional information.

households obtain effective access to project investments and support. IFAD/World Food Programme (WFP) joint operations, which began in 1996, have created strong synergies between WFP food-driven actions and IFAD's production-oriented investments. WFP food aid helps subsistence farmers reach food self-sufficiency. This allows them to make better use of credit for cash-generating activities and to build up assets for further development, thereby increasing prospects for sustainability.

4. The combination of area-based integrated rural development with institution-building, and the iterative introduction of an increased poverty focus in service delivery, have made it possible to reach the rural poor effectively. Major lessons learned include: empowerment of the poor and effective poverty reduction require participatory approaches to village development planning and implementation; improved productivity of labour requires better health care and education in order to improve the efficiency of technology transfer and skills training; expansion of the natural resource base and its productive capacity can be achieved through intensive rural infrastructure works, combined with improved water and soil management; environmentally sound resource management can be improved through stronger involvement of the rural poor in planning and use management; remote rural areas require better access to markets and financial services; special women's activities for income generation have been implemented successfully through the Women's Federation (WF) and deserve further development.

### C. IFAD's Strategy for Collaboration with China

5. **Government poverty-reduction strategy.** As a result of overall economic growth and the commitment to improving standards of social services such as education, health and nutrition for the entire population, the number of absolute rural poor declined from about 250 million in 1978 to only 28.2 million by 2002. On the basis of the USD 1-per-day poverty line, expressed in 1985 purchasing-power parity, about 88 million people would be counted. Over time, absolute poverty has been largely eliminated from the better-endowed rural areas. This has been due to the rapid economic growth following introduction of the "household responsibility system" in agriculture. The remaining poverty is increasingly concentrated in the resource-poor, densely populated mountain and loess plateau areas of the centre, northwest and south-southwest, where agricultural production is low and the population usually consists of minorities. The Government of China is implementing a development-oriented Poverty-Reduction Programme for Rural China, 2001 – 2010. The main goal of the programme is to: (i) help the absolute poor raise their minimum standard of living as soon as possible; (ii) improve the basic production and living conditions in poor areas; and (iii) expand infrastructure, protect the environment and enhance social and cultural conditions. The Leading Group Office for Poverty Alleviation (LGOPA) focuses on individual poor villages within an adjusted set of 592 poor counties. It developed a methodology for participatory village planning following initial IFAD experiences since 1998 with village development plans (VDPs).

6. **IFAD's strategy and country programme approach.** The China country strategy opportunities paper of February 1999 is the consolidated result of experiences and lessons from earlier projects. The strategy combines four basic, value-adding components having close, impact-generating linkages: (i) infrastructure for agricultural production: there is a need to expand productive potential in order to increase food-security capacity, create cash-generating activities in livestock and other cash crops, and promote off-farm income-generating activities; (ii) technical support and training: to increase productive output and ensure the creditworthiness of beneficiaries through capacity-building of technical and financial skills; (iii) credit for viable productive activities: easy access to credit for productive activities with good returns; and (iv) better access to health and education facilities: to increase labour productivity and improve the learning capability of the population at large. Since 1996 all projects have benefited from the combined resources of WFP food aid, IFAD loans and government cash contributions. RCCs have been introduced and confirmed as the rural credit channel.

7. **Common country assessment/United Nations Development Assistance Framework and other major donors.** IFAD has been increasingly involved in donor coordination efforts, especially within the framework of the Common Country Assessment (CCA) of the United Nations Development Assistance Framework (UNDAF). The IFAD liaison officer, who was recruited on a cost-sharing arrangement with the WFP country office, has made it possible to maintain close relations with the United Nations country team and with government agencies. A regional officer has been recruited under the Field Presence Pilot Programme. This officer is expected to further strengthen implementation support while supporting IFAD in policy dialogue, partnerships and knowledge management. In conclusion, the country presence enables IFAD to streamline more the strategic approaches of IFAD-funded projects, and to strengthen complementarity with the larger investment programmes of the World Bank and the Asian Development Bank (AsDB). The Government and AsDB – the lead agency of the People’s Republic of China/Global Environment Facility (GEF) Country Programme Framework (CPF) – recognize IFAD’s long-standing experience in poverty reduction in rural China, where land degradation is increasing at a worrying and menacing speed. The Government requested IFAD to develop demonstration projects that would support IFAD baseline projects in Ningxia, Shanxi and Gansu Provinces.

## PART II – THE PROGRAMME

### A. Programme Area and Target Group

8. **Programme area.** The programme area (PA) consists of 109 selected townships, in ten poverty-stricken counties with a significant presence of Muslim minorities, and is located in the middle-south portion of Gansu Province, in the so-called “yellow” loess plateau. It is part of the temperate zone, with a continental arid and semi-arid monsoon climate. Yearly average temperature ranges from 4.2 to 8.4°C and rainfall from 216 to 689 mm from May to September. The frost-free period varies from 100 to 168 days at altitudes of from 1 600 to 2 700 m. Drought is the most serious climatic calamity and occurs almost every year, especially in spring and summer.

9. The average smallholding of cultivated land is around 4 mu per capita. The absence of large areas of flat, cultivated land precludes gravitation irrigation. Large parts of the cultivated sloping land are marginal for cropping and are officially considered forest and grassland. Under current state law, cropland is allocated to individual households under a 30-year renewable and inheritable lease. Designated forest land may be leased for considerably longer periods. In the near future, some grassland may be handed over under similar arrangements. Household surveys systematically indicate that farmers prefer collective land ownership, with periodic land adjustment based on demographic dynamics. It appears that the land-tenure system has only a marginal impact on agricultural production, as farmers feel very confident of reaping the benefits of their individual households. In principle, men and women, as family members, have equal access to land. Nevertheless, some gender issues have emerged.

10. **Target group.** The poorest townships have been selected and, at the village level, the provision of social services is deficient for most households. Illiteracy is widespread and many school-age children leave school early or never attend. Incidence of preventable disease is high and some of this is related to poor domestic water supply, aggravated by inadequate health services. Almost all households are poor and live in harsh conditions, with limited food availability. Main farm cash income is from seasonal out-migration of mainly male household members, hence the feminization of agriculture. The average per capita income in the PA in 2002 is estimated at USD 84, and annual on-farm grain availability is about 370 kg, below the national average of more than 400 kg. During mission fieldwork, farmers classified themselves in four strata: better off, poor, very poor and poorest.

11. Programme benefits will be targeted primarily at households of the middle two socio-economic groupings, which are capable of participating in programme activities. They present quite similar

socio-economic characteristics and are differentiated primarily by the severity and duration of problems encountered. Thus 85-95% of rural households, or about 275 000 households in the PA, will form the primary target groups. Households in the more remote villages will be of highest priority. The poorest households, usually with elderly, sick or handicapped family members, will participate primarily in the health and education programmes. All women from poor families, about 400 000, are included in the target group and will be targeted with specific activities for functional-literacy skills training and a special credit window.

12. The main targeting instrument will be the VDP – drawn up through a participatory process involving the whole village – both for infrastructure development and the targeting of productive activities, including training and the provision of credit. The village implementation group (VIG), consisting of elected village leaders and farmers' representatives, including at least two women farmers and three representatives of more remote villages, will disseminate information on the programme and mobilize the community. The VDP will list all activities to be undertaken, the number of beneficiaries for each activity, the characteristics of beneficiary households and the justification for their selection.

### **B. Objectives and Scope**

13. **Objectives and major outputs.** The long-term goal is to achieve sustainable and equitable poverty reduction for vulnerable rural households living in an environment with limited and deteriorating natural resources. The objectives are a sustainable increase in productive capacity, both on- and off-farm, and increased access to economic and social resources, including education, health and social networks, while improving the environment. The specific outputs of the activities would be: (i) participatory and gender-sensitive VDPs produced; (ii) more farmer-, gender- and poverty-responsive extension services developed, with poor farmers as demonstrators; (iii) land and land use improved through irrigation and dryland development; (iv) RCC financial services made more poverty- and gender-sensitive; (v) social-service facilities upgraded, especially for education and health, including a large adult literacy and skills-training programme; and (vi) rural infrastructure constructed and/or rehabilitated.

14. **Programme rationale.** The extreme poverty in the PA is caused and exacerbated by: (i) insufficient poverty and gender awareness of main support institutions; (ii) low productivity of labour and land, resulting in low income; (iii) serious degradation of the natural environment; (iv) poor access to social services, principally education and health; and (v) an incomplete set of economic infrastructures. A sustainable and ecologically sound economic development can be achieved only when the productivity of labour is improved. Human development is a prerequisite and will be achieved through a combined effort in land- and non-land-based production. On the land, it is essential that per-surface-unit output be increased to its full potential, and that land on steep slopes – cultivated annually for sheer survival – is returned to more ecologically sound uses. The non-land-based production side will stimulate income-generating activities for individuals or small groups of households.

### **C. Components**

15. In order that the target population acquire productivity-enhancing assets and simultaneously fulfil the goals of a more equitable society, programme components have been designed to: (i) directly invest in rural productive infrastructure (such as irrigation, terracing, rangelands and ecological tree-planting) to create the basis for economic production; and in socio-economic infrastructure (such as drinking water, health and education facilities) to improve productive capacity and living conditions; (ii) facilitate access to financial services and especially credit, allowing farmers to acquire the necessary capital inputs for productive activities; (iii) ensure that the intellectual capabilities of all children are enhanced through access to primary education; and (iv) reinforce human-development,

grass-roots organizations to better assist farmers, and especially women, in influencing institutions, entering the market economy and using credit more effectively.

### **Land-Based Activities**

16. Land-based activities aim to increase the proportion of productive flat land through adequate irrigation, and of productive drylands, mainly on slopes, through terracing. Soil fertility will be enhanced through increased use of organic manures from the greater production of crop residues and expanded and intensified livestock production, based on improved and/or protected rangelands. Economic crops will contribute to the cash-earning potential of beneficiaries and will also improve environmental conditions. Economic/environmental tree- and shrub-planting will arrest soil degradation. Extension services for crops and livestock will be strengthened and made gender- and poverty-aware.

17. **Extension services and technology transfer** will be improved through the provision of better accommodation and basic equipment, and through unification of extension services at the grass-roots level. Demonstrations and training will include outlying villages and will take place in the fields of poor farmers, who will retain the products of the demonstrations. There is a lack of quality seed in adequate quantities, especially of virus-free potato seed. Selected farmers or groups will be supported in multiplying improved seed through appropriate training and the provision of agricultural credit for inputs. Support to livestock development will include: rehabilitation through community-managed grazing of rangelands; introduction of artificial grassland and annual or perennial fodder crops on farm land previously used for marginal cereal production; upgrading of livestock services and artificial-insemination units. A substantial programme of on-farm demonstrations will focus on the needs and capabilities of poorer households, and relevant livestock staff at county and township levels will receive training. Cash crops will be supported by demonstrations and training that focus on medicinal plants and high-quality potatoes.

18. **Irrigation development** provides one of the best ways to enable farm households to increase their food production. Rainfall is the major water source; thus construction of 15 000 individual water tanks will be supported. Water must be stored from last year's summer rainfall to cover minimum crop requirements during the subsequent spring season. Lengthening the cropping season in this way by a few weeks has dramatic effects on yields. Beneficiaries will receive training in tank maintenance and appropriate water management. Dryland development for loess soils will include construction of 96 000 mu of terraces. Environmental tree planting will be supported by a large-scale demonstration effort and training in order to encourage individual households and communities to plant trees and shrubs.

### **Financial Services**

19. The aim is to develop RCCs into an effective, efficient and viable rural cooperative banking system, with farmers as members holding shares and with savings collected for sustainability. During 2002/2003, the RCC system implemented an intensive village campaign to apply a "household credit assessment", which will streamline access to RCC resources. As a side effect, village leaders and inhabitants have become much more aware of the opportunities offered by RCCs.

20. Logistical support and training for the RCC system will enable township RCCs to acquire incremental equipment and operational capacity to handle credit activities efficiently. Staff training will also be offered in poverty-focused management, loan assessment, processing and inspection, and savings mobilization methodologies. With computers, the efficient maintenance of standardized records will become possible. The provision of one motorcycle per RCC will increase outreach and closer contact with customers and village agents. Eligible borrowers will be low-income or poor individuals, especially poor women, who are economically active, but presently have little or no access to formal

financial resources. Functional literacy and skills training will be associated with this support to facilitate access to credit.

### **Social Development**

21. Poor educational levels and ill health reinforce poverty. Thus training for adults will include literacy training, particularly for women, and the building of health and nutritional awareness. Skills training is also important for the taking out of loans for income-generating activities. For the village primary schools, assistance will be provided to reduce the number of girls dropping out. Improvements to the primary schools and support to village health workers will shore up the previous activities. A substantial programme of rural domestic water supply will complement efforts in the area of household livelihood improvement.

22. **Primary education** activities will focus on the rehabilitation of primary schools through repairs, renovation or new buildings. Construction of outpost schools in remote “natural” villages (natural settlements as opposed to administrative villages) would only be undertaken if the villages concerned agree to participate in the construction with labour and a cash contribution of 25%, and to contribute towards their upkeep afterwards. Teachers will be offered the opportunity to acquire skills in multigrade teaching. About USD 12 per pupil per year will subsidize the school costs of children that have had to drop out.

23. **Primary health care** activities include the following: (i) additional training of village doctors and village nurses-midwives; (ii) training of knowledgeable women to act as village focal points for women’s health; (iii) training of township doctors to improve their capabilities in gynaecological, obstetric and paediatric disease diagnosis and in administering vaccination and epidemic control programmes; (iv) resources to each health facility for substantial campaigns in health, sanitation and nutrition awareness; and (v) upgrading of township hospitals, with provision of relevant equipment. An intensive campaign of health awareness will be implemented at the village level and will include HIV/AIDS risk avoidance for the group most at risk, i.e. migrant workers. The construction of simple village clinics will be promoted in villages willing to participate at 25% of the construction costs.

24. **Women’s development and income-generation** activities will provide literacy and skills training with a special focus on women. All training will be supported by food rations for participants (or the cash equivalent), cash incentives for trainers and support for the production and distribution of training materials. The Women’s Federation will manage a special microinitiatives fund, building upon its experience and based on microcredit, and will receive funding to support training and close monitoring.

25. **Drinking water** is in very short supply in the PA, and women in particular have to walk long distances, often up or down significant gradients, to find water, which is frequently not suitable for human consumption. Building upon lessons from past experience, about 18 000 households will be provided drinking-water tanks to capture rain or snow. These tanks, constructed of masonry or concrete, have a capacity of 30-50 m<sup>3</sup>, sufficient for the needs of a beneficiary household, its animals and a small irrigated vegetable plot at the homestead. The water in these tanks will be very acceptable for day-to-day home use, but will require boiling for direct human consumption. For this reason, beneficiaries will receive training in water harvesting, management and household use, as well as in organoleptic testing.

## Management

26. Programme management will apply the well-tried, proven implementation methodology of previous IFAD/WFP projects, which combines policy development by the programme leading groups (PLGs) and the coordination of technical aspects of implementation by programme management offices (PMOs). However, PMOs will be limited to the coordinating function and to facilitating physical implementation by existing technical and social agencies and bureaux at the province, county and township level. Beneficiary-driven, participatory implementation planning and monitoring will be emphasized. Mobility and office operations will be supported by the provision of vehicles, office equipment and coverage of associated running costs. Implementation planning, coordination and monitoring will be achieved through periodic seminars at various levels on a variety of technical and administrative topics. Some staff will receive training in specialized aspects of their work, including computer use, the role of financial services in rural development, and the participatory rural appraisal method. Women's leadership training will be offered to all gender focal points (GFPs) of PMOs to sharpen their awareness of programme policy and implementation issues related to women. Training will also be offered to environment focal points in PMOs, who will follow up on environmental aspects and be instrumental in managing GEF funds when such resources become available.

### D. Costs and Financing

27. Total programme costs, inclusive of contingencies, taxes and duties, have been estimated at USD 78.9 million over a six-year period. Costs include physical and price contingencies amounting to about 8% of the base costs; the foreign exchange component is estimated at 6%, mainly WFP food aid.

28. Financing for the programme consists of an IFAD loan of USD 29.25 million, which will finance 36% of total costs. The Government will contribute USD 31.85 million equivalent including all taxes and duties, or 39.5% of total gross costs. Beneficiaries will contribute significantly through demonstration inputs and voluntary labour equivalent to 5% and 13.5%, respectively, of the total cost. The WFP contribution represents USD 4.8 million equivalent in WFP food aid, or 6% of total costs.

**TABLE 1: SUMMARY OF PROGRAMME COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
IFAD activities:					
Land-based activities	35 399	74	35 473	-	48
Financial services	4 285	44	4 329	1	6
Social development	17 467	-	17 467	-	24
Management	4 637	277	4 914	6	7
<b>Subtotal</b>	<b>61 788</b>	<b>396</b>	<b>62 184</b>	<b>1</b>	<b>84</b>
WFP activities:					
WFP food aid	-	4 800	4 800	100	6
Government cash contribution	7 330	-	7 330	-	10
<b>Subtotal</b>	<b>7 330</b>	<b>4 696</b>	<b>11 867</b>	<b>40</b>	<b>16</b>
<b>Total base costs</b>	<b>69 118</b>	<b>5 196</b>	<b>74 314</b>	<b>7</b>	<b>100</b>
Physical contingencies	3 015	-	3 015	-	4
Price contingencies	3 250	13	3 263	-	4
<b>Total programme costs</b>	<b>75 383</b>	<b>5 210</b>	<b>80 593</b>	<b>6</b>	<b>108</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		WFP		Government		Beneficiaries		Voluntary Labour		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
IFAD activities:															
Land-based activities	14 459	37.0			11 238	28.8	3 833	9.8	9 540	24.4	39 070	48.5	77	38 358	635
Financial services	4 353	99.6			19	0.4			-		4 373	5.4	46	4 307	19
Social development	8 553	43.8			9 678	49.5			1 314	6.7	19 545	24.3	-	18 735	809
Management	1 888	34.5			3 586	65.5					5 474	6.8	287	4 804	384
<b>Subtotal</b>	<b>29 254</b>	<b>42.7</b>			<b>24 521</b>	<b>35.8</b>			<b>10 854</b>	<b>15.9</b>	<b>68 462</b>	<b>84.9</b>	<b>409</b>	<b>66 205</b>	<b>1 848</b>
WFP activities:															
WFP food aid		-	4 800	100.0							4 800	6.0	4 800	-	-
Government cash contribution		-			7 330	100.0					7 330	9.1	-	7 330	-
<b>Subtotal</b>			<b>4 800</b>	<b>39.6</b>	<b>7 330</b>	<b>60.4</b>					<b>12 131</b>	<b>15.1</b>	<b>4 696</b>	<b>7 330</b>	<b>-</b>
<b>Total disbursement</b>	<b>29 254</b>	<b>36.3</b>	<b>4 800</b>	<b>6.0</b>	<b>31 851</b>	<b>39.5</b>	<b>3 833</b>	<b>4.8</b>	<b>10 854</b>	<b>13.5</b>	<b>80 593</b>	<b>100.0</b>	<b>5 210</b>	<b>73 535</b>	<b>1 848</b>

<sup>a</sup> Discrepancies in totals are due to rounding.



### **E. Procurement, Disbursement, Accounts and Audit**

29. **Procurement.** The main items of equipment to be procured are vehicles, agricultural/demonstration inputs, training and technical tools. The quantities are limited and all items are likely to be of national origin. The supply of vehicles, equipment and materials valued at over USD 50 000 will follow local competitive bidding procedures, while for those costing USD 50 000 or less local shopping procedures will be followed. Civil works for construction and rehabilitation of buildings costing less than USD 50 000 may be carried out by the appropriate agency of the borrower using its own labour force. Procurement of works above USD 50 000 will be awarded under local competitive bidding procedures. Hiring of consultants and service providers will be in accordance with procedures acceptable to IFAD and outlined in the Project Implementation Manual.

30. **Disbursement.** The Ministry of Finance (MOF) will be responsible for the IFAD loan. Loan funds will flow from MOF to the provincial Department of Finance (PDOF), which will bear the foreign exchange risk. PDOF will open a special account denominated in United States dollars and will transfer the proceeds, after exchanging the foreign currency into Chinese yuan renminbi (CNY), one part into the programme development account opened by the provincial PMO and one part into the Rural Credit Cooperative Unions (RCCUs) system. The IFAD loan will be disbursed over six years. Withdrawals from the loan account may be made against statements of expenditure for categories of expenditure jointly determined by the Government, IFAD and the cooperating institution. The documentation will be made available for audits and review by supervision missions. The programme will provide retroactive financing not exceeding USD 400 000 for expenditures incurred after 31 December 2004. Such expenditures will include pilot activities and training in participatory village planning. RCC loans to farmers will be prefinanced through the constitution of revolving funds within each RCCU, subject to the subsidiary loan agreement. PDOF will open the special account with a local commercial bank acceptable to IFAD to receive the initial deposit and subsequent replenishments. The initial deposit will correspond to the expected funding of activities during the first semester of programme year 2, which has been estimated at USD 3.0 million. To simplify replenishment of the special account, townships will submit monthly, certified statements of expenditure. Counties will submit consolidated statements of expenditure every two months.

31. **Accounts and audit.** Preparation and submission of audits will follow approved IFAD guidelines. Consolidated accounts will be maintained by PMOs using the financial reporting and accounting practices followed by the Ministry of Finance. The Gansu Provincial Audit Office, a fully independent body reporting to the Governor of Gansu Province, will be responsible for auditing all programme-related accounts. The township, county, prefecture and provincial PMOs will maintain records of all expenditures on items purchased for review. The Government will furnish certified copies of the audit reports to IFAD and the cooperating institution not later than six months after the end of each financial year.

### **F. Organization and Management**

#### **Lead Agency and PMOs**

32. MOF will have overall responsibility for the programme at the national level. At the provincial level, PDOF will have financial responsibility for IFAD resources, and the Department of Agriculture (DOA) will assume responsibility for technical guidance of PMOs at the county and provincial level. PMOs will direct and coordinate the work of all other agencies involved, under the guidance of PLGs, which have already been established at the province and county level. Members of the PLGs are senior officials drawn from the departments/offices/bureaux concerned with implementation, and they will be responsible for providing policy guidance, approving plans, receiving reports and commenting on these, and generally guiding the activities of the programme. PMOs have also been formed and should contain gender and environment focal points. The primary responsibilities of the PMOs are to:

consolidate the annual work plan and budget at their respective level, coordinate programme implementation and report on progress, based on the monitoring of activity outcomes. Responsibility for technical implementation will remain firmly with the various technical bureaux, particularly at the county level.

33. A VIG will be established in each administrative village. Elected members will be beneficiaries, but may coincide with existing, elected village committees. VIGs will contain at least two women and three representatives of the poor, especially those living in outlying, small natural villages. The role of the VIG is to: (i) ensure participation of all natural villages in the formulation of the overall, annual VDP; (ii) disseminate information about the activities to all households and mobilize their participation; (iii) monitor the implementation and impact of programmes and ensure that activities are properly targeted; and (iv) assist in RCC loan disbursement, supervision and recovery.

34. **Technical implementation** of programme items and activities will be the undivided responsibility of the various technical units at appropriate levels, including the divisions of the Department of Agriculture, the State Forest Administration and the Water Conservancy, Health and Education Departments. These items and activities include relevant beneficiary training and organization of the maintenance of physical infrastructure. A management agreement to be concluded between all parties prior to effectiveness will specify the role and responsibilities of each implementing agency and provide details on implementation procedures. The RCC system will be responsible for extending credit financed from the proceeds of the IFAD loan. A subsidiary loan agreement between the Department of Finance and the RCCU system will regulate the flow of revolving funds and technical resources. The provincial RCCU will prepare a detailed set of credit policies and operational procedures suitable for microfinance. The Women's Federation will mobilize women for literacy training and health and will then enter into a collaborative arrangement with PMOs to coordinate all income-generating activities. The Women's Federation will manage the resources facilitating school attendance by girls.

35. **Reporting** will occur on an annual and six-month basis, and will indicate the progress of annual workplans following the requirements of the IFAD Results and Impact Management System. The Government will submit the draft annual workplan for the first year to IFAD and the cooperating institution, for their review and comments, as a condition of loan disbursement. Thereafter, the annual workplan will be submitted by the end of October of the preceding year. The provincial PMO will prepare annual progress reports on the basis of county PMO reports. Gender-specific details will be provided. Supervision missions will focus on key indicators: (i) food, livestock and economic crop production; (ii) household income or proxy indicators related to increased food self-sufficiency; (iii) graduation out of poverty; (iv) income of women participating in supported activities; and (v) utilization of social infrastructure, including primary schools and village and township health structures.

### **Monitoring and Evaluation**

36. Monitoring will be directly linked to the regular reporting system established in China, and will integrate the requirements of IFAD's Results and Impact Management System. Impact assessment will require a baseline survey with special reference to food security, household assets and incidence of child malnutrition. This methodology has already been introduced in the Qingling Mountain Area (Hubei, Shaanxi) project and the West Guangxi project. The same type of survey will be repeated at mid-term and at programme completion. A specific credit-programme management and information system will be established by the RCC system for the monitoring of credit activities. Annual workshops will be held in each county to review the past year, derive lessons from the experience and ensure that they are reflected in the upcoming annual workplan and budget. In addition, intercounty workshops will be organized annually, focusing on systems, gender aspects, participatory planning and monitoring, and financial services in order to share issues of common interest and establish feedback. Village

impact-assessment reports, prepared by the VIGs, will form an essential input into these monitoring workshops.

### **G. Economic Justification**

37. The major benefits will derive from increased on-farm food production and higher cash incomes, both on- and off-farm, thereby improving nutrition and welfare. The total annual increment in grain output is estimated at about 13 000 tonnes by programme year 7. Output of potatoes is expected to increase by 106 000 tonnes, which translates into an average 9 kg of grain and 70 kg of potatoes per person, bringing the population close to self-sufficiency. More than 14 000 farms will receive additional irrigation facilities, and 45 000 households will acquire improved drylands for annual cropping. About 80 000 people will also benefit from the various training programmes under the social-sector development component. Literacy training will benefit about 40 000 people and support to school drop-outs about 104 000 children. Domestic water supplies will benefit some 17 600 households.

38. **Financial and economic analysis** is based on a series of crop models, which are combined into crop-farming, livestock and cash-crop models. Overall gross farm output value will increase by about 50%, and projected increases in net income per family per workday are about 30%. The data of the crop models have been combined to construe a “whole-farm enterprise” development model showing a net income increase from USD 165 to USD 308. The economic internal rate of return (EIRR) has been calculated in the baseline configuration at 18.4% per annum. The traditional sensitivity test demonstrates that the EIRR is very robust vis-à-vis external alteration in cost and/or benefit streams. A one-year lag of benefits on investment costs still yields an EIRR of 11.2% per annum and a two-year lag yields 4.8% per annum.

### **H. Risks**

39. Better water management for irrigation – in order to ensure a steadier supply of water during extended dry periods – and extending moisture management to dryland soils will attenuate the impact of the risks associated with peak climate events, such as unusually late-onset summer rains. The simultaneous promotion of the use of plastic sheets on spring crops, in particular wheat, will allow full use of the improved water availability and lengthen the cropping season. For crop production, support to seed-potato multiplication by groups of farmers as an income-generating opportunity should alleviate some of the existing constraints farmers have faced in purchasing quality seed at the right time. Similar arrangements may be made for seedling production for medicinal plants in collaboration with local operators. For the development of tree plantations, the creation of numerous, small village nurseries with up-to-date technology will provide disease-free, first-class seedlings.

### **I. Environmental Impact**

40. The PA is situated in hilly to mountainous areas. As a result of large-scale deforestation and somewhat irrational rangeland management, vegetative cover has deteriorated and there is relatively strong soil erosion. Large government-supported, public and private tree-planting schemes are under way. Moreover, IFAD is currently preparing a GEF project on reversing land degradation. Irrigation and dryland reform will improve productivity of good cropping land. This is expected to open the way to releasing marginal, annually cropped land to ecologically and economically sustainable use, such as permanent grasses for grazing, and to forestland. The design includes demonstrations of several modes of planting of trees and shrubs along roadsides and within cropping systems, as well as village-forestry and common-rangeland management practices. Because of the small size of the proposed rural infrastructure investments, these will not have environmental implications. As a result, the programme has been classified as Category B.

## **J. Innovative Features**

41. Compared to the current practices of public services in Gansu Province, major innovations include: participatory implementation planning using VDPs; a poverty focus in technical service delivery and rural financial services; and a focus on women and girls for social services. A majority of the national consultants in the design team have facilitated the introduction of PRA methodology to county and township PMO staff through three training courses. The target groups' active participation and involvement will be secured through further use of PRA methods for preparing and implementing the VDPs. Pilot activities will undertaken during programme year 1 to thoroughly test the planning process at village and township levels in order to ensure effective participation of all stakeholders in management and to allow each beneficiary a free choice of activities. Innovative technical features include the large-scale introduction of the participatory management of rangeland improvement activities, under a system of assisted village responsibility. Another innovation is the organization of large-scale demonstrations of various techniques for on-farm and community forestry activities. These demonstrations may also serve as tree-planting verification trials and experiments. The activities cited may be good precursors for the GEF-funded activities that are in preparation. Numerous small demonstrations of selected, recommended packages of appropriate technology will take place in the fields of poor farmers, women in particular, and particularly in remote natural villages. PMOs at all levels will nominate gender and environment focal points from within their ranks.

### **PART III – LEGAL INSTRUMENTS AND AUTHORITY**

42. A loan agreement between the People's Republic of China and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

43. The People's Republic of China is empowered under its laws to borrow from IFAD.

44. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

### **PART IV – RECOMMENDATION**

45. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the People's Republic of China in various currencies in an amount equivalent to twenty million one hundred and fifty thousand special drawing rights (SDR 20 150 000) to mature on or prior to 15 June 2045 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Negotiations concluded on 26 August 2005)

1. **Programme accounts.** The PDOF of the Government of the People's Republic of China ("the Government") will cause the PMO to open, and thereafter maintain in a bank acceptable to IFAD, an account denominated in CNY at each of the provincial, county and township levels for programme operations ("programme account"). Programme accounts will be funded and replenished from time to time upon request of the PMO from resources of the special account in accordance with the annual workplan and budget (AWP/B). Each PMO director will be fully authorized to operate the relevant programme account.

2. **Subsidiary agreements for the financing and implementation of the programme.** Available funds and other resources called for in the AWP/Bs will be channelled in accordance with the programme loan agreement and the subsidiary agreements, in order to carry out the programme. Each county bureau of finance (BOF) will enter into a subsidiary loan agreement with its respective county RCCUs to carry out the rural financial services component. Each subsidiary loan agreement will specify the terms and conditions of the subsidiary loan, including the interest rate and time frame for repayment in accordance with People's Bank of China (PBC) and the CBRC policies. Each county BOF will transfer to the county RCCUs available loan proceeds in accordance with the approved AWP/B at an annual interest rate of 0.75% with a maturity period of at least 30 years, including a grace period of ten years. The loan proceeds should be transferred in the currency of the Government. The PDOF will bear the foreign exchange risk. Each county RCCU will receive an initial deposit equal to the estimated amount required for the first programme year, and reported in the first AWP/B. Subsequently, resources will be made available to RCCUs in advance or at the beginning of the financial year and in accordance with the requirements for the credit revolving funds, credit training and provision of equipment as expressed in the AWP/B. Monthly summaries of credit disbursed and recovered will be maintained on a gender-differentiated basis for periodic review by supervision missions. The subsidiary loan agreement between the county BOF and each county RCCU will provide that:

- (a) The county RCCU will declare its commitment to the programme's goals and will support the RCCs in carrying out the programme.
- (b) The county RCCUs have the authority to set their own interest rates for end-user loans in accordance with PBC policies, while being obliged to report to and to be reviewed by the provincial CBRC in due manner.
- (c) The county RCCUs will be allowed to apply flexible interest rates in accordance with the PBC policy.
- (d) The county RCCUs will disclose all information and reports related to programme implementation, including progress, financial and audit reports, in formats acceptable to IFAD and the PDOF.

3. **Other covenants.** The Government will ensure that:

- (a) Support to the WF will include vehicles, equipment and training materials to accomplish the tasks assigned to the organization.
- (b) The WF will enjoy full managerial autonomy within the restrictions set by the programme documents, the AWP/B and the contractual arrangements with the WF.

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- (c) Funding to the WF will be timely and in full.
- (d) Funds allocated to the WF will be as a grant and reimbursement by the WF will not be a requirement.
- (e) With regard to agricultural support services, the construction or rehabilitation of the township extension units will be preceded by a policy review, a needs assessment and an inventory.
- (f) The extension services will recruit more women extension workers, aiming to reach at least 33% of women on staff.
- (g) Where programme activities affect land availability, reallocation will be carried out as part of the VDP and through a participatory process involving the whole village through the VIG, in accordance with national laws and policies on land.
- (h) Demonstrations will be held on the fields of poorer farmers or with their animals; demonstration inputs will be supplied with a 50% subsidy to farmers who agree to provide a training ground for neighbours; these farmers will also keep the produce of the demonstration.
- (i) At least 50% of demonstrations will be conducted in remote, “natural” villages.
- (j) All planting material provided under the programme will be of certified quality.
- (k) All infrastructure and rehabilitation work supported by the programme will follow the Government’s national standards and environmental legislation.
- (l) Construction of teaching outposts or rehabilitation of existing teaching posts will be chosen to cover clusters of isolated villages effectively.
- (m) The renovation or construction of primary school infrastructure will fall under the responsibility of the village committee. The village committee will organize, inter alia, the provision of unskilled labour for rehabilitation work and will be responsible for subsequent upkeep and maintenance of the facility.
- (n) Village clinics will be provided only in remote locations that are at least 5 km distant from higher-level facilities.

4. **Suspension.** In addition to the events specified in Section 12.01 of the General Conditions, IFAD:

- (a) May suspend, in whole or in part, the right of the Government to request withdrawals from the loan account in accordance with Section 12.01 of the General Conditions upon the occurrence of any of the events set forth below:
  - (i) Any of the subsidiary loan agreements and the credit manual have been violated or have been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such violation or waiver, suspension, termination, amendment or other modification has had, or is likely to have, a material adverse effect on any portion of the programme.
  - (ii) IFAD has determined that the material benefits of the programme are not adequately reaching the target group, or are benefiting persons outside the target group to the detriment of target group members.

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- (iii) In consultation with the Government, IFAD has determined that a repeal, invalidation, suspension, amendment or other change to any national law may result in detriment of any of the terms and conditions of the programme loan agreement.
  - (iv) Procurement has not been carried out in accordance with the programme loan agreement.
- (b) Will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report has not been satisfactorily completed in accordance with the programme loan agreement.
5. **Conditions precedent to withdrawals.** No disbursements will be made from the loan until the programme accounts have been duly opened in accordance with the programme loan agreement.
6. **Conditions precedent to effectiveness of the programme loan agreement.** The following are the additional conditions precedent to the effectiveness of the programme loan agreement:
- (a) a copy of each signed subsidiary loan agreement and the credit manual will have been approved by IFAD;
  - (b) the draft AWP/B for the first programme year will have been approved by IFAD;
  - (c) the programme loan agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
  - (d) a legal opinion, issued by the Department of Treaty and Law of the Ministry of Foreign Affairs of the Government or other legal counsel approved by IFAD and in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.





APPENDIX I

COUNTRY DATA

CHINA

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	9 327	<b>GNI per capita (USD) 2002 1/</b>	960
<b>Total population (million) 2002 1/</b>	1 280.40	<b>GDP per capita growth (annual %) 2002 1/</b>	7.3
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	137	<b>Inflation, consumer prices (annual %) 2002 1/</b>	-0.8
<b>Local currency</b>	Yuan Renminbi (CNY)	<b>Exchange rate: USD 1 =</b>	CNY 8.19
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	0.8	GDP (USD million) 2002 1/	1 266 052
Crude birth rate (per thousand people) 2002 1/	15	Average annual rate of growth of GDP 1/ 1982-1992	9.7
Crude death rate (per thousand people) 2002 1/	8	1992-2002	9.0
Infant mortality rate (per thousand live births) 2002 1/	30	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	71	% agriculture	15
Number of rural poor (million) (approximate)	n/a	% industry	51
Poor as % of total rural population	n/a	% manufacturing	35
Total labour force (million) 2002 1/	769	% services	34
Female labour force as % of total 2002 1/	45	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	13
School enrolment, primary (% gross) 2002 1/	114 a/	Household final consumption expenditure, etc. (as % of GDP)	44
Adult illiteracy rate (% age 15 and above) 2002 1/	9 a/	Gross domestic savings (as % of GDP)	43
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita,	n/a	Merchandise exports 2002 1/	325 565
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	16 a/	Merchandise imports 2002 1/	295 203
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	11 a/	Balance of merchandise trade	30 362
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	6 a/	before official transfers 2002 1/	21 627
Physicians (per thousand people) 1/	1	after official transfers 2002 1/	35 422
Population using improved water sources (%) 2002 3/	75 a/	Foreign direct investment, net 2002 1/	46 790
Population with access to essential drugs (%) 1999 3/	80-94	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2002 3/	40 a/	Overall budget deficit (including grants) (as % of GDP) 2002 1/	-3 a/
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	11 a/
Food imports (% of merchandise imports) 2002 1/	3	Total external debt (USD million) 2002 1/	168 255
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	2 463 a/	Present value of debt (as % of GNI) 2002 1/	13
Food production index (1989-91=100) 2002 1/	192	Total debt service (% of exports of goods and services) 2002 1/	8
Cereal yield (kg per ha) 2002 1/	4 867	Lending interest rate (%) 2002 1/	5
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	2
Arable land as % of land area 2002 1/	15 a/		
Forest area as % of total land area 2002 1/	17 a/		
Irrigated land as % of cropland 2002 1/	35 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2004.

2/ UNDP, *Human Development Report*, 2000.

3/ UNDP, *Human Development Report*, 2004.

PREVIOUS IFAD FINANCING TO CHINA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
Northern Pasture and Livestock Dev. Project	IFAD	UNOPS	HC	22 Apr 81	20 Jul 81	31 Dec 88	L - I - 62 - CH	SDR	28 700 000	100
Hebei Agricultural Development Project	IFAD	World Bank: IBRD	I	15 Sep 82	14 Jan 83	31 Dec 88	L - I - 107 - CH	SDR	22 900 000	100
Rural Credit Project	IFAD	World Bank: IDA	HC	11 Sep 84	22 Jan 85	30 Jun 89	L - I - 153 - CH	SDR	24 250 000	100
Guangdong Integr. Freshwater Fish-Farming Proj.	IFAD	World Bank: IBRD	I	03 Dec 86	24 Mar 87	31 Dec 92	L - I - 195 - CH	SDR	10 150 000	96
Sichuan Livestock Development Project	IFAD	UNOPS	HC	30 Nov 88	16 May 89	30 Jun 95	L - I - 233 - CH	SDR	13 400 000	100
Shandong/Yantai Agric. Dev. Proj.	IFAD	UNOPS	HC	07 Dec 89	10 Jul 90	31 Dec 96	L - I - 254 - CH	SDR	16 800 000	100
Shanxi Integrated Agric. Dev. Proj.	IFAD	UNOPS	HC	04 Apr 91	26 Jul 91	30 Jun 98	L - I - 281 - CH	SDR	17 850 000	100
Jilin Low-lying Land Development Project	IFAD	UNOPS	HC	14 Apr 92	15 Jun 92	30 Jun 98	L - I - 300 - CH	SDR	20 000 000	100
Yunnan-Simao Minorities Area Agric. Dev. Proj.	IFAD	UNOPS	HC	15 Sep 93	10 Dec 93	31 Dec 00	L - I - 335 - CN	SDR	18 400 000	99
Qinghai/Hainan Prefecture Agric. Dev. Proj.	IFAD	UNOPS	HC	05 Dec 94	08 Jun 95	30 Jun 01	L - I - 364 - CN	SDR	13 500 000	100
Jiangxi/Ganzhou Integrated Agric. Dev. Proj.	IFAD	UNOPS	HC	06 Dec 95	10 May 96	31 Dec 01	L - I - 395 - CN	SDR	15 950 000	100
Northeast Sichuan & Qinghai/Haidong Integr. Agric. Dev. Proj.	IFAD	UNOPS	HC	11 Sep 96	14 May 97	30 Jun 03	L - I - 424 - CN	SDR	19 100 000	100
Southwest Anhui Integr. Agric. Dev. Proj.	IFAD	UNOPS	HC	11 Sep 97	12 Dec 97	30 Jun 04	L - I - 451 - CN	SDR	19 100 000	100
Wulin Mountains Minority-Areas Dev. Proj.	IFAD	UNOPS	HC	10 Sep 98	21 Apr 99	31 Dec 05	L - I - 483 - CN	SDR	21 100 000	27
Qinling Mountain Area Poverty-Alleviation Proj.	IFAD	UNOPS	HC	08 Dec 99	14 Aug 01	31 Mar 08	L - I - 517 - CN	SDR	21 000 000	43
West Guangxi Poverty-Alleviation Proj.	IFAD	UNOPS	HC	07 Dec 00	21 Mar 02	30 Sep 08	L - I - 552 - CN	SDR	23 800 000	49
Environment Conserv. & Pov.-Red. Progr. in Ningxia & Shanxi	IFAD	UNOPS	HC	11 Dec 02	11 Feb 05	30 Sep 11	L - I - 600-CN	SDR	21 950 000	5
Rural Finance Sector Programme	IFAD	UNOPS	HC	21 Apr 04			L - I - 634-CN	SDR	9 950 000	

Notes: HC = highly concessional  
I = intermediate

## APPENDIX III

## LOGICAL FRAMEWORK

Narrative summary	Performance Indicators	Means of verification	Important assumptions
<b>PROJECT GOAL</b>			<b>Goal to supergoal</b>
1 Sustainable and equitable poverty reduction achieved in mountainous areas of South Gansu	1 Population below official poverty lines reduced by 75% by 2012 2 Hhs with increased hh assets 3 Reduction of child malnutrition	1 Leading Group on Poverty periodical reports 2 Baseline survey, MTR and PCR 3 Baseline, MTR and PCR	1 Other on-going programmes continued
<b>PROJECT PURPOSE</b>			<b>Purpose to Goal</b>
1 Achieve sustainable increase in productive capacity and income growth, improve environment and increase impact of social services in the PA	1.1 Per caput grain availability increased by 19 kg before 2012 1.2 Per caput income increased by CNY 220, expressed in 2003 values 1.3 Marginal cropland converted into perennial crops and/or grassland 1.4 Incidence of preventable disease reduced 1.5 numbers of school drop-outs reduced by 75%, mostly girls 1.6 Enterprise start-ups, in particular by women	1.1 DOA reports and evaluation surveys 1.2 Poverty LG reports and evaluation surveys 1.3 DOA reports and evaluation surveys 1.4 Dep. of Health reports 1.5 Education Bureau reports 1.6 RCCU reports	1.1.1 Prices and demand remain elastic 1.1.2 No major droughts 1.3 Costs of social services change in line with income levels 1.4
<b>PROJECT OUTPUTS</b>			<b>Outputs to Purpose</b>
1 Participatory and gender sensitive Village Development Plans (VDP) established and operational	1.1 overall village plans drafted in each administrative village 1.2 VDPs effectively taken forward to establish higher level plan en annual programmes 1.3 Gender Focal Points nominated and trained at all levels of PMOs 1.4 women representation not less than 2 out of every 5 in all committees and PMOs	1.1 SGPRP periodic reports 1.2 SGPRP periodic reports 1.3 SGPRP periodic reports 1.4 SGPRP periodic reports	1.1 PRA efforts continued
2 Responsive farmer extension services provided; farmers training programme designed and implemented	2.2.1 1060 mu of crop experiments; 7,850 mu rangeland and pasture experiments 2.2.2 121,000 mu of on-farm crop and 4400 fodder demonstrations, notably on poor HH 2.2.3 554,000 farmer training days held for all crops and livestock 2.2.4 23 ATECs built and equiped, system methodologies improved	2.2.1 DOA periodic reports 2.2.2 DOA periodic reports 2.2.3 DOA periodic reports 2.2.4 DOA periodic reports	Adoption rate and increased productivity reach expected levels
3 Land and land use improved	3.1 14,600 individual irrigation tanks build 3.2 96,000 mu of land improved by terracing 3.3 132,000 mu converted to grass 3.4 9,000 mu of agro-forestry and crop land conversion demonstrations 3.5 83,000 mu ecological protection planted	3.1 WCB periodic reports 3.2 DOA periodic reports 3.3 DOA periodic reports 3.4 ForD periodic reports 3.5 ForD periodic reports	Using the right technology avoiding land degradation
4 Poverty and gender sensitive rural financial services provided by RCCs	4.1 Short-term loans given to resource poor HH for seasonal agriculture trebled 4.2 All RCC staff trained and RCCs equiped	4.1 RCCU periodic reports 4.2 RCCU periodic reports	Achieved operational spreads on IFAD resources attractive for RCCs
5.1 Social service facilities upgraded	5.1.1 560 village schools constructed/upgraded 5.1.2 1,950 primary teachers'skill upgraded 5.1.3 104,000 pupil-years fo drop-outs'presence in primary schools 5.1.4 3,300 staff-time training for village health workers 5.1.5 3,300 staff-time training for women health foci	5.1.1 Education Bureau reports 5.1.2 Education Bureau reports 5.1.3 Education Bureau reports 5.1.4 Dep of Health reports 5.1.5 Dep of Health reports	
5.2 Skills imparted for Income Generation Activities (IGA)	5.2.1 39,000 illiterates trained 5.2.2 20,000 semi-literates given skills for IGA	5.2.1 Education Bureau reports 5.2.2 WF periodic reports	5.2.2 skill trainers found
6 Domestic water supplies constructed or rehabilitated	6 18,000 beneficiary HH served by new domestic water supplies	6 WCB periodic reports	

## APPENDIX III

Activities	Inputs	Means of verification	Important assumptions
1.1 Construct/rehab Extens. Stations; provide equipment & support	1.1 Building materials, equipment and labour (USD 0.9 mio)	1.1 Project part. M&E system	1.1 Counterpart funds available on time
1.2 Train staff for crops and livestock development	1.2 Training and training materials (USD 0.8 mio)	1.2 Project part. M&E system	1.2
1.3 Train farmers for crops and livestock	1.3 Incentives and materials (USD 1.5 mio)	1.3 Project part. M&E system Beneficiary surveys	1.3 Appropriate training targeted on the resource-poor
1.4 Conduct experiments and on-farm demonstrations	1.4.1 Material inputs ((USD 7.0 mio) 1.4.2 Voluntary labour (USD 2.8 mio)	1.4 Project part. M&E system Beneficiary surveys	1.4 Experiments generate new technology in later years
2.1 Construct individual irrigation tanks	2.1 Materials, skilled, unskilled labour, design and engineering, supervision, training, incentives (USD 5.7 mio)	2.1 Project part. M&E system	2.1.1 Counterpart funds available on time
2.2 Construct terraces	2.2 Materials, skilled, unskilled labour, supervision, incentives (USD 9.0 mio)	2.2 Project part. M&E system	2.2
2.3 Promote economic crops	2.3 Village mobilisation (p.m.)	2.3 Project part. M&E system	2.3
2.4 Promote land conversion	2.4 Village mobilisation and demonstrations (USD 1.8 mio)	2.4 Project part. M&E system	2.4 Mobilisation of voluntary beneficiary labour occurs timely and in required quantities
2.5 Plant ecological protection	2.5 Materials, equipment, labour, incentives, incentives (USD 4.6 mio)	2.5 Project part. M&E system	2.5
2.6 Improve rangeland	2.6 Materials, equipment, labour, incentives, incentives (USD 3.8 mio)	2.6 Project part. M&E system	2.6
3.1 Establish revolving fund within RCC-system	3.1 Revolving fund credit line (USD 3.7 mio)	3.1 Project part. M&E system	3.1
3.2 Assess, disburse, recover loans	3.2 Work with beneficiaries (p.m.)	3.2 Project part. M&E system	3.2
3.3 Purchase equipment	3.3 Equipment (USD 0.3 mio)	3.3 Project part. M&E system	3.3
3.4 Train staff and beneficiaries	3.4 Materials and other costs (USD 0.3 mio)	3.4 Project part. M&E system	3.4
3.5 Obtain beneficiary contribution	3.5 Family labour (p.m.)	3.5 Project part. M&E system	3.5
4.1 Upgrade health facilities	4.1 Building materials, equipment and labour (USD 0.7 mio)	4.1 Project part. M&E system	4.1 Counterpart funds available
4.2 Train health workers at village and township levels	4.2 Training and training materials, incentives (USD 0.9 mio)	4.2 Project part. M&E system	4.2
4.3 Run village health campaign	4.3 Incentives and materials (USD 0.7 mio)	4.3 Project part. M&E system	4.3
4.4 Run peri-natal campaign	4.4 Travel costs and incentives (USD 1.2 mio)	4.4 Project part. M&E system	4.4
4.5 Build/rehabilitate primary schools	4.5 Building materials, equipment and labour (USD 1.4 mio)	4.5 Project part. M&E system	4.5
4.6 Support drop-outs	4.6 Subsidies (USD 1.5 mio)	4.6 Project part. M&E system	4.6
4.7 Train teachers	4.7 Training and training materials, incentives (USD 0.9 mio)	4.7 Project part. M&E system	4.7
4.8 Equip WFs	4.8 Building materials, equipment and labour (USD 0.7 mio)	4.8 Project part. M&E system	4.8
4.9 Train literacy trainers	4.9 Training and training materials (USD 0.1 mio)	4.9 Project part. M&E system	4.9
4.10 Run literacy training	4.10 Training and training materials (USD 1.8 mio)	4.10 Project part. M&E system	4.10
4.11 Run skill training	4.11 Training and training materials (USD 0.9 mio)	4.11 Project part. M&E system	4.11 Recurrent funding of WF assured
4.12 Fund micro-initiatives	4.12 Incentives and fund (USD 0.3 mio)	4.12 Project part. M&E system	4.12 Recurrent funding of WF assured
5.1 Build domestic water supplies	5.1 Building materials, equipment, labour and incentives (USD 0.8 mio)	5.1 Project part. M&E system	5.1 Mobilisation of beneficiary labour timely and in required quantities
6.1 Train project management staff	6.1 Training and training materials (USD 1.6 mio)	6.1 Project part. M&E system	6.1 Counterpart funds available on time

## ORGANIZATION AND MANAGEMENT

### A. Institutions for Management and Implementation

1. In order to facilitate implementation, the existing administrative structure of Province, Prefecture, County, Township and Administrative Village will be clearly reflected in the implementation and management institutional set-up. The Ministry of Finance would have the overall responsibility for the programme at the national level. At the Provincial levels, Department of Finance (DOF) will take the financial responsibilities for IFAD resources for the programme in accordance with regional regulations on foreign-funded project management. The Department of Agriculture would assume prime responsibility for implementation and would direct and coordinate the work of all the other agencies involved in accordance with guidance provided by the Leading Groups and relying on the proven mechanism of Provincial, Prefecture, County and Township PMOs and VIG.

#### **Project Leading Groups**

2. In accordance with the established pattern of management for on-going IFAD/WFP supported projects in China, SGPRP would be implemented through PMOs under the general guidance and direction of Project Leading Groups (PLG). The PLGs have already been established at Province and county level and have been active in coordinating preparation planning. They are chaired by a senior leader of the administration at the respective levels, usually a deputy governor responsible for Agriculture. Members are senior officials drawn from the Departments/Offices/Bureaus concerned with implementation. These PLGs, or sub-groups of same, would shoulder the relevant duties assigned to PLGs under the programme. PLGs would be responsible for providing policy guidance, approving plans, receiving reports and commenting on these, and generally guiding activities for SGPRP.

#### **Programme Management Offices**

3. PMOs have already been formed under the overall responsibility of the local Governors at Province, prefecture, county and township administrative levels. Day-to-day responsibility would be delegated to the DOA establishment at each administrative level. These PMOs will operate under the immediate supervision of the relevant PLG. The PMOs are likely to be managed by a senior staff member of the local DOA establishment. All PMOs have been structured in such a way as to be able to perform their key duties of planning, coordinating, monitoring and reporting and their structure is now generally in line with the recommendations in the formulation report. They all contain a “gender focal point”, often a senior official of the local chapter of the WF. They will also contain an “environment focal point”. Assurances would be sought that PMOs at all levels would have a fair share of female staff members and that future recruitment/replacement would try to reach a target ratio of 50%.

4. Prime responsibilities of the PMOs are to consolidate the annual work plan and budget (AWP/B) at their respective level, to coordinate programme implementation and to report on progress based on the monitoring outcomes of activities. Responsibility for technical implementation will firmly remain with the various technical bureaus, in particular at county level. The basis of each year’s activities would be the AWP/B, which would contain all the activities that SGPRP is to undertake or to finance during the coming year. It is essential that the county AWP/B be built upon participatory planning work undertaken at household, village and township levels. The AWP/B for year 2 would be presented prior to loan effectiveness. It would build upon the results of preparatory activities described in appendix 8 and which, in effect represent project year 1. AWP/Bs for each administrative unit and technical bureau involved in SGPRP matters can be derived from the detailed cost tables, presented in Appendix 15.

### **Village Implementation Groups**

5. Village Implementation Groups (VIGs) would be established at each administrative village. Members would in any case be elected beneficiaries but these may co-opt local dignitaries, such as the Village Leader, village accountant, Women's Federation representative, village technicians for agriculture and livestock, (head) teacher, etc. The VIGs may, in fact, coincide with the existing and elected Village Committees but assurances would be sought that VIGs would contain at least two women and three representatives of the poor, especially those living in outlying small "natural" villages. The recommendation is made that each natural village is enabled to elect at least one member to the VIG. The VIG, and in particular the Village Leader and the WF representative would play important roles, which can be summarized as follows:

- Bring together the population of the village to discuss investment options for the village and to prioritize these in terms of space and timing, taking on board specifically the needs of isolated and/or ethnic minority natural villages;
- With assistance from relevant officials at township and county level, who will undergo specific training for this purpose, formulate the overall and annual VDP ensuring that the needs of small and remote natural villages are adequately covered in the overall VDP and in the subsequent annual plans;
- Ensure that the VDP and the annual plans describe a varied set of actions in order to cater to as large a range of needs as possible and to bring into play a balanced mix of programme resources, i.e. government counterpart cash contributions and IFAD loan funds;
- Disseminate information about the activities to all households and promote participation in income generating support mechanisms for individual households;
- Mobilize village households for specific activities, in particular those relating to environmental and common investment, health education, women literacy, girl drop-outs and the like;
- Monitor the implementation of programmes and their impact on the population with the people concerned;
- Assist in RCC loan disbursements, supervision and recovery; and
- Ensure that activities are properly targeted and progress monitored.

### **Line Ministries**

6. Technical implementation of programme items and activities, including relevant beneficiary training and the organization of appropriate maintenance of physical infrastructure, will be the undivided responsibility of the various technical units established at appropriate levels, including the divisions of DOA, the State Forest Administration, the Water Conservancy Department, the Health Department, the Education Department. As the Government's accountant and banker, the Ministry of Finance will be responsible for opening and managing the Specials Accounts and sub-accounts. PDOF will transfer funds to accounts opened by the PMOs at Provincial, Prefecture, County and Township level, in line with the approved AWP/B.

7. An implementation manual, to be prepared prior to programme effectiveness, will specify the role and responsibilities of each implementing agency and provide details on implementation procedures, notably on the formats that would be used for the annual work plan and budget and for periodical reporting. Details of sector implementation arrangements will emphasize that each technical participating agency or bureau will have the mandate to carry out its normal functions relating to SGPRP under the guidance and coordination of the PMOs who, in policy matters, will be guided by the PLGs.

### Other Implementing Agencies

8. **The RCC-system** would be responsible for extending credit financed from the proceeds of the IFAD loan to farmers, men and women. The credit management structure is in line with the general administrative structure in the RCC network. A subsidiary loan agreement (SLA) between DOF and RCCUs will regulate the flow of revolving funds and technical resources from the PDOF down to the township RCCs and to control the use of these resources. The SLA would stipulate support and coordination of relevant organizations, including CBRC and RCCUs, and may evolve during project life. Prior to start-up of SGPRP, the Provincial PMO, in consultation with the PDOF, RCCUs and the CBRC at the highest level would prepare a detailed set of credit policies and operational procedures that would be reflected in an appropriate draft subsidiary loan agreements for the IFAD resources destined to augment the RCCs' revolving loan fund resources. In addition a credit manual that would adapt existing policies and procedures to suit the needs arising from using IFAD loan resources would also be drafted. These procedures, guidelines, operational manual and training modules would be uniform throughout the SGPRP area. All relevant documents would be presented to IFAD and the Cooperating Institution prior to becoming effective.

9. RCCs would be responsible for the assessment and approval of credit applications, for the disbursement of loans and for follow-up and recovery, risk management, accounting and reporting, supervising and monitoring of the credit operations. RCCUs at county level would manage the credit fund, channel funds to RCCs, organize and monitor training of RCC officers, supervise RCC credit operations, maintain and consolidate RCC reports and forward data to the relevant DOF institutions via the corresponding PMO. The periodic reports on credit will comply with the data requirements that the PDOF judges necessary in order to accomplish its own verification and monitoring, and that will be stipulated clearly in the relevant subsidiary loan agreements. Assurances would be sought that resources in respect of all items of investment and revolving funds be allocated to the RCC system on a timely basis in accordance with the approved annual work plan and budget.

10. **Women Federation.** The Women Federation will enter into a collaboration arrangement with the PMOs to act as coordinator for all activities listed under the generic heading of "income generating activities". The WF will be closely involved in five important programme aspects. Generally speaking the WF will be instrumental in mobilizing first of all the female population on various aspects of the programme that are of particular interest to women. This includes i.a. mobilization of women for literacy training and health. In the case of dropouts the WF will manage the resources that will be handed over to the local schools in respect of each dropout supported. It will also mobilize specifically in favour of school attendance of girls and will have the specific responsibility of ensuring that the minimum quota of girl dropouts supported is respected.

11. The WF will be entirely responsible for running the skill training programme, identifying the needs of potential trainees and recruiting the corresponding trainers on temporary contracts. In the selected counties, the WF will manage all resources allocated under the "microinitiatives fund". It is further fair to say that most activities, even in the technical programmes, commonly have particular gender angles. For this reason the PMOs are required to nominate gender focal personnel who will receive specific training and who need to liaise closely with the WF. A number of such GFPs may, in fact, be local WF staff members. Assurances would be sought that resources in respect of all items of investment and operational funds be allocated to the WF system on a timely basis in accordance with the approved annual work plan and budget and that these IFAD loan resources are handed over as a grant.

## B. Flow of Resources

12. It is necessary to consider the resources made available by the three partners as contributing towards the achievement of common goals and activities. All counties, townships, villages and, also, households should have access to complete packages of activities as appropriate in view of pertaining local conditions. Government funding would flow through the normal channels from Province to Prefecture to County to Township establishments of the DOF. Government committed food support would be released from government warehouses in line with the programme requirements. The flow of IFAD funds through the financial systems maintained by the DOF is depicted at the last page of this Appendix.

13. IFAD funds will flow into SGPRP mainly through the mechanism of the “**Special Account**”. The PDOF will open a “special” account with a local commercial bank acceptable to IFAD to receive initial deposit and subsequent replenishments that IFAD will make as advance payments against admissible expenditures imputable to the IFAD loan finance. The initial IFAD deposit into the Special Account will correspond to the expected eligible funding by IFAD of activities during the first semester of year 2 which has been estimated to be of the order of USD 3.0 million. Subsequent replenishments will occur upon the request of the Provincial PMO. To simplify replenishment of the Special Accounts, townships would submit monthly certified statements of expenditure. Counties would submit consolidated statements of expenditure every two months. **Reimbursement** claims for other eligible expenditures, if any, would be prepared at the same time and forwarded to the Provincial PMO for submission to IFAD and its cooperating institution (CI).

14. Some expenditure would be eligible for retroactive financing for up to USD 400 000. These are expenditures made by the Provincial and/or County authorities after loan approval but prior to loan effectiveness to achieve preparatory and pilot programme activities. These expenditures, listed under project “year 1”, would be recoverable from the loan proceeds upon the loan’s effectiveness. Claims would be reimbursed to the Government Programme Account upon loan effectiveness

## C. Monitoring and Impact Assessment

15. The Provincial PMO on the basis of County PMO reports would prepare annual progress reports. Gender specific details would be provided. Supervision missions would focus on the key indicators of a) food, livestock and economic crop production, b) household income or proxy indicators related to increased food self sufficiency and/or discretionary expenditure; c) graduation out of poverty, d) income of women participating in supported activities, and e) utilization of social infrastructure, notably primary schools and village and township health structures. Physical, environmental, financial, institutional and socio-economic aspects would be included in reports for IFAD. At the Provincial and county levels monitoring staff would be supplied with computers and associated software.

16. Monitoring would be directly linked to the regular reporting system established in China, and integrate the requirements of the IFAD Results Management System (RMS). Impact assessment will require a baseline survey with special reference to the prevalence of assets and child malnutrition using the weight for age methodology already introduced in the Qingling Mountain Area (Hubei, Shaanxi) project and the West Guangxi project. The same type of survey will be repeated at Mid-Term and Project Completion. A specific credit programme management and information system would be established by the RCC system to monitor credit activities. It would also be responsive to the needs expressed by PDOF. Suggestions for sectoral key monitoring data are provided as part of each technical working paper and are summarized in appendix 6. It is anticipated that these suggestions would be further refined as part of start-up activities and that the process would continue during implementation.



## APPENDIX IV

17. **Workshops, studies and reviews.** Start-up or inception workshops would be held at Provincial level and in each county. These workshops would be used to introduce the PMO staff and other individuals concerned to SGPRP, its objectives, methods of operations, division of responsibilities, reporting and monitoring requirements. In addition, an annual workshop would be held in each county. The primary purpose of these management workshops would be to review the past year, derive lessons from the experience and ensure that they are reflected in the up-coming annual work plan and budget. In addition, inter-county workshops would be organized annually, focusing on systems, gender aspects, participatory planning and monitoring and financial services to share issues of common interest and establish feedback. Village impact assessment reports, prepared by the VIGs, would form an essential input into these monitoring workshops.

FLOW OF FUNDS

