

Document:	<u>EB 2006/89/R.22/Rev.1</u>
Agenda:	<u>13(c)(i)</u>
Date:	<u>14 December 2006</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

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Enabling the rural poor
to overcome poverty

President's report

Proposed loan to the People's Republic of China for the

Xinjiang Uygur Autonomous Region Modular Rural Development Programme

Executive Board — Eighty-ninth Session
Rome, 12-14 December 2006

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

COSOP	country strategic opportunities programme
PMO	programme management office

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the People's Republic of China for the Xinjiang Uygur Autonomous Region Modular Rural Development Programme, as contained in paragraph 35.

People's Republic of China

Xinjiang Uygur Autonomous Region Modular Rural Development Programme

Loan summary

Initiating institution:	IFAD
Borrower:	People's Republic of China
Executing agency:	Poverty Alleviation Office of the Xinjiang Uygur Autonomous Region
Total programme cost:	US\$55.0 million
Amount of IFAD loan:	SDR 16.70 million (equivalent to approximately US\$25.1 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum
Cofinancier(s):	Government of the Xinjiang Uygur Autonomous Region
Amount of cofinancing:	US\$29.9 million
Terms of cofinancing:	Grant
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Proposed loan to the People's Republic of China for the Xinjiang Uygur Autonomous Region Modular Rural Development Programme

I. The programme

A. Main development opportunity addressed by the programme

1. The People's Republic of China has an impressive record of strong, sustained, economic growth and is experiencing an unprecedented decline in poverty. However, inequalities have been rising, with rural poverty persisting mainly in disadvantaged areas in the western provinces. So far, area-based government and donor programmes have failed to eradicate the remaining rural poverty, which suggests that new approaches are required. In line with its new country strategic opportunities programme (COSOP), IFAD intends to re-emphasize its catalytic role and to pilot innovative approaches for poverty reduction in selected sectors, such as microfinance and organic farming. By programme end, innovative **modules** that have demonstrable and sustainable poverty impact will provide the Government and other donors with the means for further scaling up.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a loan to the People's Republic of China in the amount of SDR 16.70 million (equivalent to approximately US\$25.1 million) on highly concessional terms to help finance the Xinjiang Uygur Autonomous Region Modular Rural Development Programme. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The annual allocation defined for China under the PBAS is US\$23.8 million, or US\$71.4 million over the three-year PBAS cycle. This programme is the second within the current PBAS cycle and, in agreement with the Ministry of Finance, the loan amount has been set at US\$25.1 million.

Country debt burden and absorptive capacity of the State

4. China's capacity to service external debt is very good. Total external debt has declined to 11.8 per cent of gross domestic product and the debt service ratio fell from 8.4 in 2002 to 3.0 in 2005, which is lower than the ratio in other middle-income countries in Asia. Since 1981, China has received a total of 19 loans from IFAD worth about US\$473 million. The average disbursement per year amounts to about US\$15 million. Repayment performance has been excellent.

Flow of funds

5. The loan proceeds will be transferred through the Ministry of Finance to the Department of Finance of the Xinjiang Uygur Autonomous Region and then to the finance bureaux in the programme prefectures and counties. On the basis of the approved annual work programmes and budgets, the finance bureaux will transfer the required resources to the implementing agencies, which include line departments, rural credit cooperatives, the Women's Federation and private enterprises.

Supervision arrangements

6. Subject to the approval of the Executive Board, the programme will be directly supervised by IFAD, while the United Nations Office for Project Services will be requested to carry out loan administration. The Government and IFAD will undertake joint implementation reviews on an annual basis.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

7. No exceptions are foreseen. A procurement plan for the first 18 months will be agreed prior to the first disbursement.

Governance

8. Since IFAD resources have been managed with due diligence, no additional specific measures are required. The Xinjiang Region Audit Department will be responsible for auditing all programme accounts for IFAD. Procurement will follow IFAD's procurement guidelines.

C. Target group and participation

Target group

9. The programme targets about 793,000 persons in roughly 176,000 households, equivalent to 41 per cent of the population in the 10 target counties. These households live below the official poverty line and tend to have low skills levels and difficult access to financial resources. Labour resources are scarce and the productivity of economic activities is low. It is expected that about 50 per cent of the target group will benefit directly from several of the programme's modules. The actual number of direct beneficiaries will only be known when the annual participatory village planning exercises are undertaken.

Targeting approach

10. Poor villages will be selected on the basis of the average net income per person. A public database of the Poverty Alleviation Office will assist in the identification of individual, poor households. Gender-mainstreaming will be achieved by ensuring that (i) the Women's Federation is represented in the programme management offices (PMOs); (ii) all programme activities respond to the interests of women, without excluding men; and (iii) in all activities, women constitute at least 50 per cent of participants.

Participation

11. After having initially piloted the activities of each programme **module**, the programme will apply truly participatory village planning in which the poor will set their own priorities on the basis of a menu of **modules**. The approach will be based on the current practice of the Poverty Alleviation Office, while reinforcing the participatory and gender aspects.

D. Development objectives

Key programme objectives

12. The programme aims to reduce the incidence of poverty in target villages in a sustainable and gender-equitable way: poor women and men will have improved their social and economic situation in a sustainable manner, with incomes exceeding the poverty line at all times; innovations will have demonstrated their potential for poverty reduction and successful modules will have been scaled up; and women will have benefited from all programme activities in at least equal proportions to men.

Policy and institutional objectives

13. The programme will contribute to the introduction of innovative approaches in rural poverty reduction. To this end, it adopts a modular approach, allowing local PMOs to adapt innovations to specific social, economic and market conditions. The programme ensures the establishment of durable grass-roots institutions and the strengthening of relevant support services. Lastly, the programme applies an active scaling-up approach.

IFAD policy and strategy alignment

14. The programme complies with all three objectives of IFAD's strategic framework. It advances the thrust of the new COSOP by focusing on (i) **innovations** through the

piloting of innovative approaches to poverty reduction and the scaling up of approaches that have successfully produced an impact on poverty; and (ii) **access** through enhancing the access of poor women and men to information and knowledge, to natural resources and their sustainable use, to appropriate financial services, and to remunerative and quality premium markets. Gender mainstreaming is promoted in all components, and specifically in the strategic support for women component.

E. Harmonization and alignment

Alignment with national priorities

15. The Government's Development-oriented Poverty Reduction Programme for Rural China for 2001–2010 aims to reduce poverty by promoting ecologically sound agricultural development, strengthening marketing and financial services for the poor, encouraging private entrepreneurs and farmers' organizations and developing off-farm economic activities. The core objectives of the country's recent 11th five-year plan emphasize the Government's intention to enhance rural productivity, raise farmers' living standards and promote grass-roots decision-making.

Harmonization with development partners

16. In the Xinjiang Uygur Autonomous Region, donor-supported programmes include an irrigation infrastructure development programme funded by the World Bank, and a water management programme sponsored by the German Bank for Reconstruction (KfW). A pastoral development project, financed by the World Bank, will generate lessons in terms of community-managed natural resources. Finally, the United Nations Development Programme has financed a poverty alleviation programme, which included a small microfinance component.

F. Components and expenditure categories

Main components

17. The programme has five components: (i) community-based natural resources management, including the promotion of renewable energy sources; (ii) agricultural development through technology transfer and organic production and marketing; (iii) strategic support for women through the formation of women's groups and microfinance, and support for the setting up of groups interested in income-generating activities and social activities; (iv) microfinance development through strengthening the institutional capacity of rural credit cooperatives and establishing village credit funds in areas where the formal sector is not present; and (v) institutional support and programme management. Each component includes several modules, each containing a full set of activities, accompanied by required funds. During the programming and budgeting processes, modules will be adjusted within agreed limits to meet the rapidly changing socio-economic conditions.

Expenditure categories

18. There are four main expenditure categories: (i) programme management, comprising civil works (0.2 per cent of base costs); vehicles, equipment and materials (2.9 per cent); and training, studies and implementation support (9.6 per cent); (ii) programme modules in the pilot phase (36.2 per cent); (iii) programme modules in the scaling-up phase (46.1 per cent); and (iv) recurrent costs (5.1 per cent). Allocation for programme modules in the pilot and scaling-up phases include the costs of all components, except for the programme management component.

G. Management, implementation responsibilities and partnerships

Key implementing partners

19. Programme implementation will be the responsibility of the regional poverty alleviation office, which will head the PMOs established at the regional, prefecture and county levels. Senior staff from the Women's Federation will hold the position of deputy director in each PMO. Technical implementation will be the responsibility of

the line departments, the Women's Federation, private processors and buyers of organic produce and the rural credit cooperatives. The region's Department of Finance and the relevant bureaux at the county levels will ensure proper financial management.

Implementation responsibilities

20. The PMOs will coordinate annual programming and budgeting and ensure the timely flow of financial resources. Joint annual reviews by the Government and IFAD will support the evaluation and subsequent programming of innovative activities. Implementing agencies will carry out activities according to the modalities specified in the approved annual work programme and budget. The organic production and marketing activities will be implemented through private operators.

Role of technical assistance

21. Reputable, qualified national consultants and institutions will provide implementation support. In exceptional cases, external expertise will be used.

Status of key implementation agreements

22. A loan agreement has been negotiated. Subsidiary agreements will be concluded between the programme parties to outline commitments to carry out the programme activities. Implementation responsibilities will be specified in each annual work programme and budget.

Key financing partners and amounts committed

23. The programme costs amount to about US\$55.0 million. The principal sources of financing are the Government of the Xinjiang Uygur Autonomous Region (54 per cent) and IFAD (46 per cent). IFAD's share in module funding is 50 per cent during the pilot and demonstration phase (programme years 1 to 3). This share will decrease to 37 per cent for the scaling-up phase (programme years 4 to 6).

H. Benefits and economic and financial justification

Main categories of benefits generated

24. The programme will generate sustainable improvements in the fragile natural resource base on which poor communities grow crops and raise livestock. Introducing the use of renewable energy sources will lead to energy and cost savings and to global benefits thanks to reduced emissions. The introduction of market-oriented and participatory methodologies for technology transfer will promote the access of rural poor people to knowledge and efficient technological options. The promotion of niche market products (such as organic crops) and market linkages will enable farmers to obtain higher farm-gate prices. Women will directly benefit from self-managed revolving credit funds, starting up income-generating activities that will provide them with their own revenue and promote their social empowerment. The poor will gain access to formal banking services and appropriate loan products. Village-based revolving credit funds will become sustainable and will increase poor people's access to credit for economic activities in areas not covered by the formal sector.

Economic and financial viability

25. Financial models have shown that module activities will be financially attractive to programme participants. Based on an assumed pattern of demand for module implementation, the economic rate of return has been estimated at 13.0 per cent.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. Annual joint IFAD-Government reviews will assess programme impact, and the lessons learned will inform the programming of activities in the following year. Lessons will also be shared with other IFAD-funded projects in the country through PMO workshops and through the China Knowledge Networking for Rural Development in Asia/Pacific Region (ENRAP) website.

Development innovations that the programme will promote

27. The programme will pilot two types of innovation to reduce poverty: (i) the introduction of community-based management of natural resources, renewable energy sources, participation-based transfer of agricultural technology, access to premium prices in organic niche markets, institutional arrangements of rural credit cooperatives and new lending products for the poor; and (ii) adoption of a modular approach to planning and implementation that will provide the required flexibility to adapt programme activities to the rapidly changing socio-economic environment in rural China.

Scaling-up approach

28. Scaling up is a central part of programme design. All modules will initially be demonstrated and tested in a pilot phase, which will receive a greater proportion of funding from IFAD. During the second phase, successful modules will be scaled up and the proportion of government funding will grow.

J. Main risks**Main risks and mitigation measures**

29. The main risk to the programme concerns the short lifespan of innovations in China: they could be outdated before the programme reaches its scaling-up phase. As a consequence, the programme will be subject to frequent review and adjustment. The main environmental risk is earthquakes, in which case the use of programme resources for appropriate response (e.g. to rebuild physical and financial assets) will be decided in agreement between IFAD and the Government.

Environmental classification

30. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact. In fact, the programme will have a positive impact on the environment, notably through the promotion of natural resource management, renewable energy and organic farming components. The other modules will not have any significant impact.

K. Sustainability

31. The programme promotes the establishment of sustainable grass-roots institutions to enable the rural poor to continue and expand their social and economic activities. Communities will be involved in natural resources management, while farmers' associations will have established contractual arrangements with private-sector organic food buyers. Women's groups will undertake microfinance operations and group members will have acquired the technical skills to run income-generating activities. Rural credit cooperatives will have greater institutional efficiency and provide new types of loans to poor households. Women's and village-based credit funds will operate – under strict supervision – in remote areas and will have the potential to be linked to the formal financial sector. In addition, agricultural support services will be demand-driven to respond to the real needs expressed by farmers. In the current dynamic rural environment of China, IFAD will promote the strengthening of existing, and the establishment of new, grass-roots institutions of the poor and related support services as the best approach to ensure sustainability after the programme implementation period.

II. Legal instruments and authority

32. A loan agreement between the People's Republic of China and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated agreement is attached as an annex.
33. The People's Republic of China is empowered under its laws to borrow from IFAD.

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

III. Recommendation

35. 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 sixteen million seven hundred thousand special drawing rights (SDR 16,700,000) to mature on or prior to 15 June 2046 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Summary of important supplementary assurances included in the negotiated loan agreement

(Negotiations concluded on 6 December 2006)

1. The Government of the People's Republic of China, through its designated representative the Ministry of Finance, and an authorized representative of the Government of the Xinjiang Uygur Autonomous Region (XUAR) will enter into an agreement (the "lead subsidiary agreement"), which will be fully consistent with the programme loan agreement and will provide, among other things, that:
 - (a) the XUAR Department of Finance (DOF) and the XUAR Poverty Alleviation Office (PAO) will declare their commitment to the goals and purposes of the programme and, in furtherance of such goals and purposes, they will undertake to carry out the programme in accordance with the programme loan agreement;
 - (b) the Government will authorize the DOF to receive the loan proceeds in accordance with the annual workplans and budgets (AWP/Bs) and its customary national procedures for development assistance to carry out the programme; and
 - (c) the DOF will ensure that the proceeds of the loan are transferred to the PMOs and implementing agencies at all levels in accordance with the AWP/Bs and its customary national procedures for development assistance to carry out the programme.

The Government will forward a copy of the signed lead subsidiary agreement to IFAD for its records.

2. Each programme leading group (PLG) at the regional, prefecture and county levels will ensure, inter alia, that programme implementation complies with the programme loan agreement and provide guidance in resolving issues that may arise during implementation. In addition, each PLG will establish the PMOs and will coordinate the AWP/Bs approved at the regional level. Final authority will lie with the regional PLG.
3. The Government, through the county PMOs, will enter into an agreement with each qualified electricity company for implementation of the module. The electricity company agreements will provide among other things:
 - (a) the role and responsibilities for the implementation of activities under the renewable energy modules;
 - (b) that the electricity company will declare its commitment to the goals and purposes of the programme and, in furtherance of such goals and purposes, it will undertake to carry out the programme in accordance with the programme loan agreement;
 - (c) the selection criteria for eligible households and villages;
 - (d) training for beneficiaries;
 - (e) the procurement procedures for the purchase of solar energy systems; and
 - (f) that this electricity company agreement may be amended from time to time by the parties.

The Government, through the county PMO, will submit the signed electricity company agreement to IFAD.

4. The Government, through the regional PMO, will enter into an agreement with the regional women's federation (WF), which will provide among other things that:

- (a) the regional WF will declare its commitment to the goals and purposes of the programme and, in furtherance of such goals and purposes, it will undertake to carry out activities under the strategic support for women component in accordance with the programme loan agreement;
- (b) the Government – through the DOF and the bureau of finance (BOF) at prefecture and county levels – will transfer programme resources to the relevant WF at the region, prefecture and county levels in accordance with the AWP/Bs;
- (c) the WF will not be responsible for repayment of the programme resources;
- (d) the regional WF will prepare a guiding manual;
- (e) the regional WF – through the county WFs – will implement the women’s group microcredit module (C.1) in accordance with the criteria described in the programme implementation manual (PIM) and the guiding manual; and
- (f) the regional WF will ensure that the county WFs undertake the implementation of the support for women’s association module (C.2).

The Government, through the regional PMO, will submit a draft of the regional WF subsidiary agreement to IFAD for its no objection.

5. Each county BOF in each of the 10 participating counties will enter into a rural credit cooperatives’ union (RCCU) subsidiary loan agreement with each county RCCU to carry out the support to the rural credit cooperatives (RCCs) at the township level module. The subsidiary loan agreement will provide among other things:
 - (a) that the RCCUs will declare their commitment to the goals and purposes of the programme and, in furtherance of such goals and purposes, the RCCUs will undertake to carry out the support to RCCs module in accordance with the programme loan agreement; the terms and conditions of the subsidiary loan including the interest rate and repayment schedule for on-lending;
 - (b) the credit by-laws, which will include, among other things, loan sizes and duration;
 - (c) that the county BOF will transfer – in the Government’s currency – loan proceeds and other resources to the RCCUs as a loan in accordance with the approved AWP/B at an annual interest rate of 0.75 per cent with a maturity period of at least 40 years including a grace period of 10 years;
 - (d) that the county governments of the programme area will bear the foreign exchange risk;
 - (e) the role and responsibilities of the county RCCUs and township RCCs, including transfer of loan proceeds from the RCCUs to the RCCs, management of the financial resources, organization of household surveys and staff training, supervision, auditing, monitoring and reporting on module activities; and
 - (f) that the RCCUs will disclose all information and reports related to implementation of the support to RCCs module, including progress reports, financial reports and audit reports, in a format acceptable to IFAD.

The Government, through the county PMO, will submit a draft of the subsidiary loan agreement to IFAD for its no objection. If IFAD does not provide its no objection within 21 days of receipt, the RCCU subsidiary loan agreement will be deemed approved.

6. Each PMO will undertake monitoring and evaluation of programme activities. For that purpose, extensive use of the existing PAO database will be made, refining their

gender aspect. Two systems will be developed: a management information system and a results and impact monitoring system satisfactory to IFAD.

7. As part of maintaining sound environmental practices, the programme parties will maintain appropriate pest management practices under the programme and, to that end, the Government will ensure that pesticides procured under the programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in tables 1 (extremely hazardous) or 2 (highly hazardous) of the World Health Organization's Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time. Special attention will be given to educating farmers, both men and women, in the safe use, handling and storage of agrochemicals so as to minimize acute and chronic toxic effects. When recommending essential chemicals, technical staff will choose the least hazardous effective chemical.
8. The Government will cause that programme personnel are insured against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.
9. The Government will ensure that participating regions and each prefecture and county provides adequate counterpart funds and that each AWP/B clearly reflects the source and use of such funds.
10. The Government will ensure that the PMOs are maintained during at least five years after the programme completion date.
11. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account, upon the occurrence of any of the events set forth below provided, however, that if the audit has not been satisfactorily concluded within 12 months of the financial reporting period date, IFAD will suspend the right of the Government to request withdrawals from the loan account, or if:
 - (a) any of the subsidiary agreements or any provision thereof has been violated or has 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;
 - (b) 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;
 - (c) in consultation with the Government, 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;
 - (d) the AWP/B and/or the procurement plan or any provision thereof has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme;
 - (e) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD and the Government has failed to investigate the matter fully and promptly to the satisfaction of IFAD, or thereafter, based on the conclusions of the aforesaid investigation and any other information to it, IFAD – in consultation with the Government – determines that such practices have occurred, and the Government has failed to take

- timely and appropriate action to remedy the matter to the satisfaction of IFAD; and
- (f) the PIM, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme.
12. (a) With the exception of start-up activities, no withdrawals will be made until the PIM has been approved by IFAD in draft; and a copy of the PIM – as adopted by the lead programme agency substantially in the form so approved and certified as true and complete by a competent officer of the lead programme agency – has been delivered to IFAD.
- (b) No withdrawals will be made in respect of expenditures under the scaling up of rural development modules category until the mid-term review has been completed and the recommendations, if any, have been reflected in the AWP/B;
- (c) With the exception of expenditures allocated to the women’s association modules, no withdrawals will be made in respect of expenditures under the strategic support for women category until a draft regional WF subsidiary agreement has been approved by IFAD.
- (d) No withdrawal will be made in respect of expenditures under the natural resource management category for a specific participating county until the respective county PMO has entered into an electricity company agreement and a copy of such signed agreement, in the form and substance acceptable to IFAD and certified as true and complete by a competent officer, has been delivered to IFAD; the signature and performance thereof by the parties have been duly authorized or ratified by all necessary administrative and governmental action; and all conditions precedent to the effectiveness thereof have been fulfilled.
13. The programme loan agreement will become effective subject to the fulfilment of the following conditions precedent:
- (a) the PMOs have been duly established and composed;
- (b) the Government has made the budgetary planning of counterpart funds for the first programme year;
- (c) the special account has been duly opened;
- (d) a copy of the lead subsidiary loan agreement, in form and substance acceptable to IFAD and certified as true and complete by a competent officer of the Government, has been delivered to IFAD; the signature and performance thereof by the Government has been duly authorized or ratified by all necessary, administrative and governmental action; and all conditions precedent to the effectiveness of the lead subsidiary loan agreement have been fulfilled;
- (e) a copy of each of the RCCU subsidiary loan agreements, in form and substance acceptable to IFAD and certified as true and complete by a competent officer of the Government, has been delivered to IFAD; the signature and performance thereof by the Government has been duly authorized or ratified by all necessary, administrative and governmental action; and all conditions precedent to the effectiveness of the RCCU subsidiary loan agreements have been fulfilled;
- (f) the draft AWP/B for the first programme year has been approved by IFAD;
- (g) the programme loan agreement has been duly signed, and the signature and performance thereof by the Government has been duly authorized and ratified by all necessary administrative and governmental action; and

- (h) a legal opinion, issued by the Department of Treaties and Laws of the Ministry of Foreign Affairs of the Government, or other duly authorized legal counsel, and in substance acceptable to IFAD, has been delivered by the Government to IFAD.

Key reference documents

Country reference documents

The Development oriented Poverty Reduction program for Rural China, 2001, White Paper. The State Council of the People's Republic of China.
11th Five Years Plan for the National Economy and Social Development.

IFAD reference documents

Project design document (PDD) and key files
China COSOP
Learning Note on Rural Finance
Learning Note on Sustainability
Policy on Rural Finance
Administrative Procedures on Environmental Assessment
Prerequisites of Gender Sensitive Design
Private-Sector Partnership and Development Strategy

Logical framework¹

Narrative Summary	Indicators	Means of Verification	Assumptions
Goal			
Successful innovative pilot approaches to poverty reduction are adopted on a large scale in XUAR by government and other donors.	<ul style="list-style-type: none"> - Poverty reduction issues integrated in Government policies - Improved household asset ownership by gender*. - Reduced prevalence of child malnutrition by gender* . 	<ul style="list-style-type: none"> - Policy statements - Regional statistics - Impact Assessments - Gender analysis 	<ul style="list-style-type: none"> - Continued policy support for poverty reduction - Continued overall economic expansion - Continued donor and government support for poverty reduction programmes in XUAR
Objective			
Poverty prevalence is reduced in programme households in a sustainable and gender equitable way, exceeding at least 50% the poverty reduction in non-Programme households.	<ul style="list-style-type: none"> - 50% more decrease in poverty prevalence, by gender, compared to control group. - 50% drop in child malnutrition incidence* - 50% increase in asset ownership of poor*. - Legal and policy framework facilitating poverty reduction adjusted. 	<ul style="list-style-type: none"> - Impact assessments (household surveys at benchmark, mid term and completion) - Regional statistics (%below poverty line) - Policy statements, laws, budget 	<ul style="list-style-type: none"> - Macro-policy framework remains favourable for development of sectors - Increased incomes in poor households lead to higher asset ownership - Increased incomes in poor households lead to improved food security
Outputs			
Land degradation arrested and community natural resources management capacity strengthened	<ul style="list-style-type: none"> - 80% of planned areas recovered. - 20% yield increase on recovered or community managed lands - Environment legal and policy frameworks including tenure rights improved * 	<ul style="list-style-type: none"> - Monitoring & Evaluation annual results reports - Annual reports of Ministries involved 	<ul style="list-style-type: none"> - Increasingly erratic climatic conditions do not cancel recovery effects - Government support to recovery of degraded natural resources expanded - Collaboration with other donors established
The poor adopt appropriate technologies and knowledge through responsive and gender sensitive farmer extension services.	<ul style="list-style-type: none"> - 80% of planned technical envoy pilots & participatory extension implemented. - 30% of poor women and men accessing new services, by gender. 	<ul style="list-style-type: none"> - Monitoring & Evaluation annual results reports - Annual reports of Ministries involved 	<ul style="list-style-type: none"> - Innovative extension types increase income. - No social barriers for any social group to access services. - Price differentiation exists at all local markets
Poor households benefit from an improved production – marketing chain of organics and other certified agricultural products	<ul style="list-style-type: none"> - 80% of planned organic production actually certified and marketed. - poor farmers obtain premium prices of at least 20% from organic marketing, contract farming and common marketing. 	<ul style="list-style-type: none"> - Farm surveys - M&E annual results reports - Annual reports organic operators - Export statistics 	<ul style="list-style-type: none"> - Demand for organic food continues to grow - Differential pricing on local and export markets - Policy framework remains conducive to organics. - Men & women continue to access organic production and marketing.
Poor women benefit from innovative access to economic and social assets	<ul style="list-style-type: none"> - 80% of planned income generating activities operated by women - social activities undertaken by women's groups 	<ul style="list-style-type: none"> - M&E annual results reports - Annual reports of Women Federation 	<ul style="list-style-type: none"> - Positive gender policy framework is maintained and further strengthened - Institutional and policy framework for women' associations remains conducive
Poverty and gender sensitive rural financial services provided by RCC and through VCF	<ul style="list-style-type: none"> - Loan portfolio performance of VCF* - Loan portfolio performance of RCC* - Proportion of poor borrowers and micro-entrepreneurs, by gender, improved by 50%* 	<ul style="list-style-type: none"> - M&E annual results reports - Annual reports VDFs - PRA analysis 	<ul style="list-style-type: none"> - Legal and policy framework continues to be developed - Expressed RCC interests to support VDFs Access to micro-finance is used for micro-enterprises
Pilot Programmes effectively developed and managed project pilot activities towards impact	<ul style="list-style-type: none"> - disbursement rate in accordance with Annual Review recommendations - number of counties in addition to original PA - number of policy statements, strategy, public budget allocation for poverty reduction 	<ul style="list-style-type: none"> - indicator for progress and up scaling in place - progress and audit reports 	<ul style="list-style-type: none"> - Government focus on poverty maintained - Resources available for policy implementation - Program M&E systems aligned with public monitoring systems - M&E system reports on results and up-scaling

¹ *excerpt, for details please refer to the appraisal report RIMS indicator*

