

### China: Wulin Mountains Minority-Areas Development project

Item	Assessment Remarks	Rating
<b>Country &amp; Project Name</b>	<b>China: Wulin Mountains Minority-Areas Development project (WMMADP)</b>	
Loan No.	483-CN	
Project Id.	1083	
Board Date	10 September 1998	
Effectiveness Date	21 April 1999	
Original Closing Date	31 December 2004	
Final Closing Date	31 December 2007	
Total Project Cost USD (M)	107.2	
IFAD loan USD (M)	28.1	
Cofinanciers (if any)	WFP (World Food Programme) & Ausaid: USD 18.8 million; GTZ (German development agency): more than USD 1 million.	
Implementing Agency	Initially it was the MoA; it then changed to the Poverty Alleviation Office in the MoF.	
Principal Components	As defined in the Appraisal Report the objective of the project was to reduce the persistent household food deficiency through increased food crop production and the development of tree crops and other income generating activities, thereby raising in a sustainable way the standard of living of 390 000 families and assisting the Government in its Poverty Alleviation Program.	
<b>Project Performance</b>		
Design	The design of the project was on the whole in line with people's needs. It was not however very much in line with poor people's needs. As mentioned below, the results of a participatory impact assessment (PIA) carried out during the PCR mission show that some of the activities designed were not considered as a priority by poor people. In addition, the lessons learnt from the PCR mission indicate the need for broader and more detailed consultation with the Government and with the credit institutions to ensure their firm commitment with respect to those project activities relevant to them.	4
Implementation	The implementation of the project was subject to one major delay, which led to the de facto suspension of the loan from 2002 to 2006. This was due to some disagreements between IFAD and the Government over the role of the Rural Credit Cooperative (RRC). Although this negatively affected project implementation to a certain extent, as the momentum for certain joint activities was lost, it did not prevent the project from almost full disbursement. In fact, the PMO (project management office) at provincial level proved to be an effective management and coordination centre of the project. During the whole project term, PMO was able to keep the key personnel in place and maintained a firm leadership on county PMOs and other line agencies. Criticism can be raised regarding the project M&E system, which has collected very few precise data that can be converted into meaningful and useful information, especially in quantitative terms.	4
Relevance	The project activities were partly relevant to the needs of the rural poor. At design, the project's objectives seemed to be in line with the needs of the poor: it provided access to credit aimed at boosting much needed productive activities. Support to extension and training were also highly relevant. Activities were also in line with the national poverty alleviation program. The results of a participatory impact assessment (PIA) carried out during the PCR mission however show that while infrastructure and training were very much appreciated by the poor, micro-credit was not considered as being much of a priority (most poor receive remittances). Also, the PCR mission notes that the design document was not able to design activities that would allow poor people to take advantage of and build upon the growing rural economy of the Provinces, i.e. the project was designed as partly "detached" from what was the ongoing rural context.	4
Effectiveness	In general, physical achievement rates were about 100% of the 2004 - 2006 targets. However, the project's poverty reduction impact is insufficient. The poverty incidence in Guizhou decreased by 5.6% per year from 80% to 43% while in Hunan the annual reduction was 1.6%, from 80% to 71%. Much of this however is to be attributed not so much to the project as to the Provinces' overall economic growth. In fact, the data on targeting shows that not many poor hhs benefited from the project (see below).	5
Efficiency	Estimated ERR at Appraisal: 19%. Actual ERR: 15%. This is considered to be satisfactory for a regional development project in remote areas. The cost per individual beneficiary was calculated at USD 73.	4
<b>Partner Performance</b>		
IFAD	Overall, IFAD's performance is good: it can be commended for its firm commitment to the project's beneficiaries, despite the extensive period of consultation and negotiation to re-activate the field implementation. Also, the turn-over of CPMs did	4

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	not affect the continued dialogues and exchanges with the counterpart. The project managed to disburse practically the whole loan. Some criticisms can also be raised: in view of the implementation idleness and lack of evidence for improvement, IFAD should have intervened with due management tools such as loan suspension, and without granting further loan extensions with major shifts of loan re-allocation. The latter has in fact negatively affected the project's targeting.	
Cooperating Institution	As far as UNOPS, greater technical expertise and more consistency in membership of supervision missions would have been helpful.	4
Government	PMO's performance was quite good, although there were missing clear responsibilities and lines of communication. Also, there was a lack of support to recommendations made by Supervision missions. Central policy guidance was sometimes lacking, especially with respect to the issue of including RCCs in the project.	4
NGO/Other	RCC's performance was not too good. There seemed to be a lack of interest in the project. Indeed, one of the lessons learnt from the project is that there were insufficient discussions and consultations with the banking regulator and the targeted RCC network in Guizhou and Hunan during the design stage.	4
Cofinancier(s)	All co-financiers such as WFP, AusAid and GTZ had completed their investments mostly in line with intended objectives and timeframes. WFP and AusAid focused on improving the target population's food security and physical assets, while GTZ worked on strengthening RCC's institutional capacity and credit lending with poverty and gender sensibility	5
<b>Combined Partner Performance</b>	<b><i>The intended partnership among donor agencies did not achieve its expected mutual leverage. The main reason was the continued disagreement between the Government and IFAD regarding the modality of RCC participation in the project, and this led to the absence of substantial investments from IFAD, when WFP, AusAid and GTZ were implementing their supposedly complementary activities.</i></b>	4
<b>Rural Poverty Impact</b>		
Physical Assets	As mentioned above, physical achievement rates were about 100% of the 2004 - 2006 targets.	5
Financial Assets	There is evidence that overall, people's incomes have increased thanks to the project. Loans for pig and cattle raising or for fruit tree planting yielded an internal rate of return to the households ranging from 16% to 31%. More importantly perhaps, the project has created a precedent for future IFAD projects in China, which will be able to be channelled through the RCC rather than the PMO, and has helped revise micro-credit policies in this respect.	5
Food Security	The impact on food security has been good, although there is evidence that it may not have been the poorest families to have benefited from this. Improved irrigation structures led to increase in cereal production and yields of about 2.9t/ha. Some estimates show that crop production alone resulted in an average additional 85 kg of paddy per household or 20 kg/pers. This represents a 15% increase over the average 150kg of paddy consumed per person. The Guizhou PMO reported that the period over which households were food secure on the basis of their own production increased from 6 months in 1999 to 11 months in 2007, while improvements in income largely exceeded the costs of one month of food. Households have also undertaken livestock activities which have undoubtedly improved their home consumption in addition to their incomes from sales of livestock and livestock products.	4
Environment	The project did not have much of an impact on the environment (it is therefore not rated). The single activity with a positive impact was the installation of bio-gas equipment, which helped in saving fuel wood.	-
Human Assets	The project managed to provide the technical and skill training to the number of trainees it intended to cover. Poor households did participate and women represented 60% of trainees. The PIA however shows that the poor and the women found the trainings not to be too relevant to their needs. Women in particular felt that the technical trainings were too general while what they need are applied skills linked more to their current income generation activities. The impact of the trainings on them was therefore quite limited. In other areas: drinking water schemes improved access to water for humans and animals, while the provision of electricity led to the installation of food processing equipment which saved substantial amounts of manual labour. The planned health sub-component of the project was cancelled with the partial redesign of the project in 2004.	4
Soc. Cap. & Emp.	At village level, Village Implementation Groups (VIGs) have been established and their responsibility included, amongst others, to draw up participatory Village Development Plans which would constitute the basis for project planning. During design and early implementation, training in Participatory Rural Appraisal techniques	3

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	had been provided to PMO staff at all levels. However, much of the project implementation was actually based on County physical and financial plans and little participatory planning took place in the villages.	
Ag. Productivity	Improved irrigation structures led to increase in cereal production and yields of about 2.9t/ha. Some estimates show that crop production alone resulted in an average additional 85 kg of paddy per household or 20 kg/pers. This represents a 15% increase over the average 150kg of paddy consumed per person.	5
Inst. & Serv.	The single most important innovation to be implemented from the outset was the involvement of RCCs in the disbursement of loans to poor households, rather than directly through the PMO. This in turn led to an essential policy and institutional reform concerning IFAD and RCC. These include: <ul style="list-style-type: none"> <li>• IFAD loan resources can be used for both credit and grant purposes;</li> <li>• IFAD resources can be on-lent to RCCUs at the IFAD rate of interest, the Ministry of Finance guaranteeing repayment to IFAD;</li> <li>The sustainability of lending to households can be ensured by channelling funds through RCCUs and their RCC branches in the Townships which establish revolving funds for a duration which exceeds the project implementation period.</li> </ul>	4
Markets	The investment made by the project in rural road construction should ease market access. Overall however the project's final impact seems to be only modest considering that no investments were made in mainstreaming the target population into the market value chain.	3
<b>Project Impact</b>	<b><i>Overall the project impact seems to have been quite good, even though unfortunately it did not so much benefit the poor. In fact, there is evidence of growing inequalities among socio-economic groups in the targeted Provinces inequalities. Therefore, impact is only considered as moderately satisfactory.</i></b>	<b>4</b>
<b>Overarching Factors</b>		
Innovation	The single most important innovation the project intended to implement from the outset was the involvement of RCCs in the disbursement of loans to poor households, rather than directly through the PMO. This in turn led to an essential policy and institutional reform concerning IFAD and RCC. These include: <ul style="list-style-type: none"> <li>• IFAD loan resources can be used for both credit and grant purposes;</li> <li>• IFAD resources can be on-lent to RCCUs at the IFAD rate of interest, the Ministry of Finance guaranteeing repayment to IFAD;</li> <li>• The sustainability of lending to households can be ensured by channelling funds through RCCUs and their RCC branches in the Townships which establish revolving funds for a duration which exceeds the project implementation period. However, these results need to be qualified by the results of the PIA which indicated that: a) access to credit is not the highest priority of the poor; and b) the need for credit is reducing as a result of the cash flowing into rural areas thanks to labour migration. For future projects, this would call for very poor-specific provision of financial services.</li> </ul>	4
Replicability and Scaling-up	The innovation will be taken up in all future IFAD activities in the country. Discussions would need to be carried out with other stakeholders to gauge the extent to which this innovation can be replicated in other contexts too and upscaled.	5
<b>Innovation, Replicability and Scaling-up</b>		<b>5</b>
Sustainability and Ownership	Project sustainability is overall quite fragile. No exit strategy has been drawn up. Nevertheless, some post-project arrangements seem to be underway, especially for community-based infrastructure: local governments have committed due budgets for road management and maintenance, and township extension stations will be owned, managed and maintained by the county bureaux of agriculture or livestock. At beneficiaries' level to the project has helped establish water-users' associations and biogas maintenance committees during the implementation. Related management teams appear to be openly elected by the users; there is at least one technician per village, trained by technical agencies of township or county levels to assume the maintenance support to user families, and this is on a fee basis.	3
Targeting	The targeting of the project turned out to be quite poor. Since the re-start of the project in 2004, the bulk (80%) of project resources was for training and infrastructure. In training, the focus was on economic activities and this usually included all involved villagers, irrespective of their poverty status. As for infrastructure, many investments benefitted the whole community such as roads, water supply and even irrigation. The single individual household activity, bio-gas installations, required a contribution of RMB 400 - 600, which was difficult to realize by poor households. With respect to micro-credit, due to RCC's quite high interest rates, only very large and specialized households became the main borrowers of RCC for their commercial investment.	3

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Gender	In this respect, project results are mixed. In Hunan, the project's gender mainstreaming strategies were problematic. For instance, there were no specific resources allocated to support the Women Federations and there was no specific development component specifically designed for women. This resulted in poor gender actions and limited impact in gender mainstreaming. In addition there was no training for PMOs aimed at gender sensitive management and implementation, neither at the beginning nor during the project. In Guizhou, however, nearly 50% of RCC microcredits were disbursed to women borrowers. This has provided a leverage tool for women-led IGAs, generating disposable cash for the households in question. As a result, women's social and economic status is perceived to have improved, and they are widely reported to enjoy a more equitable share in family decision-making and in social participation.	4
<b>Overall Performance</b>	<b><i>Overall, the project contributed to improving access to natural resources and technology in a remote area. There were also good project achievements in terms of household and community infrastructure and training. However, the project suffered from 5 years of inactivity and poor targeting.</i></b>	<b><u>4</u></b>
Estimated number of beneficiaries	338 588 hh = 1 352 902 beneficiaries. The project covered the number of beneficiaries it intended to cover.	5
<b>PCR Quality</b>		
Scope	The PCR is divided into three parts: a general one and two reports that look more in detail at the 2 Provinces covered by the project. Only one of the detailed reports covers all aspects envisaged by the PCR template. The other two omit some of the annexes and some of the impact domains.	4
Quality	Quite well written, and includes many figures.	5
Lessons	The lessons cover mainly implementation and management related issues- these are relevant and very well explained.	5