

## **People's Republic of China**

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### **Inner Mongolia Autonomous Region**

### **Rural Advancement Programme**

### **Supervision Report**

### **Main Report and Appendices**

Mission Dates: 8-20 August 2013  
Document Date: October 2013  
Project No. 1400  
Report No: 3167-CN

Asia and Pacific Division  
Programme Management Department

## Contents

a. Introduction	1
b. Overall assessment of programme implementation.....	
c. Outputs and outcomes.....	
d. Programme implementation.....	
e. Fiduciary aspects.....	
f. Sustainability.....	
g. Other	13
h. Conclusion	13

## Appendices

Appendix 1: Summary of project status and ratings.....	15
Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs.....	17
Appendix 3-1: Summary of key actions to be taken within agreed timeframes.....	21
Appendix 3-2: Progress against previous mission's recommendations.....	23
Appendix 4: Physical progress measured against AWP&B, including RIMS indicators.....	25
Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category.....	29
Appendix 6: Compliance with legal covenants: Status of implementation.....	31
Appendix 7: Knowledge management: Learning and Innovation.....	33

## CURRENCY EQUIVALENTS

Currency Unit	=	Yuan (CNY)
USD 1.00	=	CNY 7.65 (Appraisal)
USD 1.00	=	CNY 6.38 (MTR)
USD 1.00	=	CNY 6.14 (Current)

## WEIGHTS AND MEASURES

1 hectare	=	15 mu
1 mu	=	0.067 ha

## FISCAL YEAR

1 January – 31 December

## ABBREVIATIONS AND ACRONYMS

AWPB	Annual Work Plan and Budget
BOAL	Bureau of Agriculture and Livestock
BOF	Bureau of Finance
BOST	Bureau of Science and Technology
CFS	Controller and Financial Services Division, IFAD
CNY	Chinese Yuan
CPMO	County Program Management Office
DOAL	Department of Agriculture and Livestock
DOF	Department of Finance
IA	Implementing Agency
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activity
IMARRAP	Inner Mongolia Autonomous Region Rural Advancement Program
MA	Marketing Association
M&E	Monitoring and Evaluation
MFI	Micro-Finance Institution
MOF	Ministry of Finance
MTR	Mid-Term Review
NCB	National Competitive Bidding
PAO	Poverty Alleviation Office
PLG	Programme Leading Group
PPMO	Prefecture Programme Management Office
RCC	Rural Credit Cooperative
RCCU	Rural Credit Cooperative Union
RIMS	Result and Impact Management System
SDR	Special Drawing Rights
SIS	Supervision and Implementation Support
TE	Technical Envoy
USD	United States Dollar
VIG	Village Implementing Group
VDF	Village Development Fund
VLSS	Village Livestock Service Station
WA	Withdrawal Application
WF	Women Federation
WGMC	Women Group Micro-Credit

## **a. Introduction<sup>1</sup>**

1. The Inner Mongolia Autonomous Regional Rural Advancement Program (IMARRAP) was approved by IFAD's Executive Board on 13 December 2007, became effective on 12 November 2008, and planned to be completed on 31 December 2014. MTR to the program was conducted in October 2011. The total program cost estimated at MTR was USD 73.64 million to be financed by an IFAD loan of USD 30.62 million (SDR 19.1 million) and counterpart contributions including government financing of USD 38.04 million and beneficiaries contribution of USD 4.99 million. The program objective is to achieve poverty reduction in the program area in a sustainable and gender equitable way by establishing improved access to information, technology, rural financial services and markets. The program includes four components to achieve the objectives: a) agricultural production and market Access, b) strategic support to women; c) rural financial service; and d) program management and participation. The program area covers 722 villages in 55 townships of 9 counties in Wulanchabu Prefecture.

2. An IFAD supervision and implementation support (SIS) mission was fielded to review the IMARRAP from 8 to 20 August 2013. The mission focused on reviewing the strategic adaptability and effectiveness of the program interventions and their alignment with local development priorities in line with the anticipated objectives; assessing the physical and financial progress of the program, the institutional performance especially relating to technical, fiduciary and management aspects and the program outputs and outcomes by component in achieving respective objectives. The mission also followed-up the performance of stakeholders in response to the recommendations made by 2012 SIS mission and provided recommendations for the program implementation of remaining period.

3. The mission had discussions and consultations with the stakeholders of prefecture and county levels, including the PMOs, BOFs and the implementing agencies (IAs). Field visits were made to 11 villages and 10 townships in Siziwang, Chayouzhong and Liangcheng counties during 10-16 August 2013 in order to capture the details of program implementation and performance. Wrap-up meeting for the mission was held in Wulanchabu on 19 August 2013 with the presence of official representatives from the regional DOF, prefecture BOF and the PMOs of prefecture and all program counties.

4. The mission would like to express its appreciation for the cooperation and hospitality provided by the Government and involved institutions at all levels as well as for the contributions made by the villages, farmer associations and farmers visited during the mission.

## **b. Overall assessment of programme implementation**

5. *Overall implementation progress of the program is rated satisfactory.* Although the program experienced slow progress in the first three years of implementation period, its overall progress has been greatly accelerated after MTR. By end of June 2013, the programme reported a cumulative financial delivery rate of 86.5% against the MTR target. It indicated an incremental growth of close to 20 percentage points compared to the figure of 66.7% reported in August 2012. Particularly, the marketing Association Support module, which experienced very slowly-progressing before 2012, recorded an increase of financial delivery rate from 18.6% in August 2012 to 71.1% in June 2013 against MTR target. Among the 11 program modules that directly contribute to achieving the program objectives, three modules, i.e. the RCC operating efficiency, permanent greenhouse and semi-permanent greenhouse modules, achieved financial delivery rate of about 100%; the technical envoy module also achieved about 90% of MTR financial target. The agro-product safety and certification, the women's group micro-credit and the women association support modules recorded relatively low financial achievement, between 55% and 68% against their respective targets, whereas accelerated implementation for these modules were noted in 2013. Physically, all the activities of the RCC operating efficiency module have been 100% completed. Most activities of the permanent greenhouse, semi-permanent greenhouse, technical envoy and strengthening of VLSS modules were also 100% or close to 100% completed. Activities for other modules mostly progressed at the same pace as their respective financial achievement.

<sup>1</sup> Mission composition: Mr. Sun Tongquan, rural finance expert and Mr. He Qibin, agricultural specialist and team leader.

6. The Annual Work Plan and Budget (AWPB) for 2012 was financially 90% completed. The best achievement was recorded for the permanent greenhouse and semi-permanent greenhouse modules, 157% and 129% respectively against the AWPB target; followed by the strengthening of VLSS and potato net-shed modules, 92% and 87% respectively. The lowest annual delivery rate against the 2012 AWPB was recorded for the women association support module, 31%, fund constraints at implementation level was reported as the main reason for such a low delivery rate.

7. The overall financial achievement from January to June 2013 was 57% against the AWPB-2013. By module, the semi-annual financial achievement for the permanent greenhouse and marketing association support modules has reached 98% and 94% respectively against the 2013 AWPB target; the women association support and RCC operating efficiency up-scaling modules also achieved 77% and 66% of the AWPB target respectively. Other modules recorded 30-50% of respective targets; reportedly most activities for those modules would be implemented in the second half of the year due to seasonal reason.

8. The mission appreciated that the reimbursement of program expenditures incurred has been significantly expedited since 2012. As a result, the IFAD loan disbursement rate increased from 26.9% in September 2011 to 50.6% in August 2012 and to 79.3% in August 2013, including the initial deposit. Implementation of those modules which experienced slow progress or delay has also been greatly accelerated, particularly for the marketing association support module. Regarding the limited time remaining for the program implementation, the mission recommends that (i) the expedited implementation should be continued for those modules with low financial achievement, including the agro-product safety and certification, women group credit and women association support modules, in order to achieve the program objectives; and (ii) the PPMO should consult with each of the CPMOs to find out if there would be activities which might not able to be completed by the program completion date due to less demand or other reasons. Necessary minor reallocation of resources among program modules as required should be included into the coming AWPB for implementation to avoid incomplete use of the loan proceeds for the program.

Agreed action	Responsibility	Agreed date
CPMOs will consult with relevant IAs to continue expediting implementation of those modules with low financial achievement, including the agro-product safety and certification, women group credit and women association support modules, in order to achieve the program objectives. PPMO will consult with each of the CPMOs to find out if there would be activities which might not able to be completed by the program completion date due to less demand or other reasons. Necessary minor reallocation of resources among program modules as required should be included into the coming AWPB for implementation to avoid incomplete use of the loan proceeds for the program.	PPMO & CPMOs	31 Aug 2013
	PPMO	30 Oct 2013

### c. Outputs and outcomes

9. The program includes four components: (i) production and market access component includes modules 1-7 (the originally-designed module 8 was merged into module 7 at MTR); (ii) strategic support to women component includes modules 9 & 10; (iii) rural financial services component: module 11 (cancelling of the originally-designed module 12 was decided by the 2012 SIS mission); and (iv) program management and participation component includes module 13.

#### Component 1: Production and market access

10. *The performance of the whole component is rated moderately satisfactory.* This is based on the assessment of the different sub-components explained and justified in the following paragraphs.

11. **Component 1.1: Technical envoy (TE) system.** *The performance of TE system module is rated moderately satisfactory.* This module aims to supplement the conventional government technical service system in extending the outreach of technical services to farmers, particularly in terms of promoting commercial production of remunerable products. Implementation of this module was closely linking to those production modules of the program for synergistic effects. The PPMO reported a cumulative financial delivery rate of about 89% for the module by June 2013 and a semi-annual

financial achievement of 37% against the 2013 AWPB. Key outputs of the module include 453 TEs trained and assigned to providing services in 476 administrative villages, 96.8% of total target; of which 42 TEs were assigned in 2013, accounting for 62% of the planned annual target in number. A total of 93,472 farmers received services from the TEs and 51% of them were women. The module's demonstration activities directly benefited 9,305 farmer households, 56% of them were from the poor and very poor household categories. Discussions and field visits indicated that the TEs' services were in most cases well delivered to the target groups in crop and livestock production. Farmers expressed their appreciations for the services they received. Results from the household survey conducted in April 2011 also indicated the effectiveness of technical services under the program, close to 100% of the farmers sampled confirmed the usefulness of technologies recommended by the program.

12. The 2012 supervision mission noted that in some counties implementation of the module was not fully in line with the module strategy, but adapted to local conditions. The PPMO consulted with each of the counties to improve the performance of module implementation in October and November 2012 and results were reported positive. The mission recommends the IAs continue enhancing the quality of the module implementation in line with the module strategy to ensure the achievement of module objectives.

13. **Component 1.2&3: Permanent and semi-permanent greenhouses.** *The performance of both permanent and semi-permanent greenhouses modules is rated satisfactory.* The implementation targets for both modules have been well achieved. By June 2013, totally 2,421 permanent greenhouses and 2,444 semi-permanent greenhouses have been built, accounting for 124% and 104% of the program targets, 1,960 and 2,340 respectively. The cumulative financial delivery rate for permanent greenhouse was 103% and for semi-permanent greenhouse 98%, against respective financial targets. The 2013 annual plan for both modules also progressed well. Training on greenhouse management and production has been conducted for 354 technical staff (43% women) and 4,794 farmers (53% women). Field visits indicated that the completed greenhouses have been handed over to target farmers for operation and maintenance. About 79% of the beneficiary households belonged to the poor and very poor household categories. The beneficiary farmers visited highly appreciated the facilities since they have demonstrated good results in increasing their income through off-seasonal production of cash crops. The facilities also enhanced the resilience of farmers to adverse climate due to short frost-free period and low annual rainfall (200~400 mm) in the program area. Reportedly, one permanent greenhouse (0.5 mu) brought the household a net income of more than CNY 10,000 and one semi-permanent greenhouse (0.5 mu) created an annual net income of about CNY 5,000 annually.

14. Field visits revealed that many greenhouse production farmers have to transport and sell their products individually in local markets, which might result in labour shortage for the greenhouse management. Some farmers needed further technical training on greenhouse management to enhance the effect of the facilities. The mission recommends the CPMOs and IAs facilitate grouping the greenhouse owners together or link them to relevant marketing associations to improve their access to remunerative markets, while providing further technical services as required.

15. **Component 1.4: Potato net-shed.** *The performance of potato net-shed module is rated satisfactory.* The implementation target of potato net-shed construction was adjusted from 1,080 to 2,440 at MTR based on farmers' demand, mainly due to the high profit of seed potato production in 2010. The adjustment was accompanied by reducing the construction of greenhouses to avoid the reallocation of program resources between disbursement categories. By June 2013, a total of 2,039 potato net-sheds were constructed, with a financial delivery rate of 80% against the MTR target. Technical training was conducted for 160 technicians (42% women) and 1,931 farmers (55% women) for seed potato production in net-sheds. Beneficiaries visited were satisfactory with the potato net-sheds provided by the program. The potato net-sheds visited were operational and well maintained.

16. The PMOs consulted with the mission on minor re-adjustment of the implementation target of greenhouses and potato net-shed construction following the current demand of program target groups as a result of fluctuated prices of seed potatoes in 2011 and 2012. The target number of potato net-

shed would be re-adjusted from 2,440 to about 2,100, remaining resources would be re-allocated back to the construction of greenhouses. Actually some CPMOs have re-adjusted the implementation in 2013, the construction of greenhouses have been over 100% completed. Although such flexibility in implementation is considered acceptable since the greenhouses and potato net-shed modules have the same attribute in design, price fluctuation and awareness of market risks should be incorporated into the trainings for beneficiaries to enhance the stability of their income sources.

17. **Component 1.5: Strengthening of village livestock service stations (VLSSs).** *The performance of VLSS module is rated satisfactory.* This module supports to the establishment and improvement of village veterinary service stations with additional equipment, training, breed improvement activities and technology demonstration. By June 2013, this module recorded a cumulative financial delivery rate of 86.3% against the MTR target. Physically, most activities under this module have been 100% completed. The key outputs include 326 VLSSs established and provided with equipment, 389 technicians trained (21% women), 42,518 farmers trained (44% women), and 1,304 demonstrations conducted. Field visits indicated that the established VLSSs were operating well and they contributed to improving the veterinary services in the program area. They played a key role in genetic improvement of sheep through introduction of breeding animals and artificial insemination (AI) and in extension of improved animal breeds and feeding technologies through demonstration. Farmers visited expressed satisfactory with the improved services provided by VLSSs. Reportedly more than 90% of beneficiary farmers adopted technologies recommended by the program.

18. The mission noted that livestock development in the program area was shifting towards to focusing more on the promotion of pig and chicken due to the implementation of “overall grazing ban” regulation since 2012. The VLSSs would need to pay more attention to the development of in-pen rearing of sheep to ensure the income source of small herders, while enhancing the services on pig and chicken development.

19. **Component 1.6: Marketing association support.** *The performance of marketing association support module is rated moderately satisfactory.* This module recorded a cumulative financial delivery rate of 71.1% against its target by June 2013 and the semi-annual achievement was 94% of the 2013 AWPB. The module implementation has been greatly expedited since 2012, recording a quick increase of financial delivery rate from 18.6% in August 2012 to 71.1% in June 2013. The key outputs include 176 marketing associations established/supported, 24,509 association members trained and 113 marketing facilities constructed.

20. The marketing associations provided services to their members mainly on organisation of production materials, technical guidance, post-harvest storing of products. Performance varied greatly between associations. Some associations performed well in organising the production and marketing of members’ products, such as the Xinhai Oil Plants Association in Liangcheng county, others were yet to be strengthened, largely depending on the capability of managers in market development. In many cases, the associations were held by several progressive farmers, the managers have not yet developed close linkage with their members in terms of profit share, etc. For vitality of the associations’ operation, the mission recommends the CPMOs and IAs facilitate the program-supported marketing associations to improve operation mechanisms in line with the government regulations for farmer cooperatives to enhance their internal management and operation. The IAs may also organise necessary cross-associations visits for knowledge sharing in this regard. Market development was a hard nut for most of the associations. Exposures to relevant trade activities might be helpful.

21. **Component 1.7: Agro-product safety and certification.** *The performance of agro-product safety and certification module is rated moderately satisfactory.* The implementation of this module has been expedited after MTR, although it was still one of the slowest progressing modules. By June 2013, the module recorded a cumulative financial achievement of 63.2% against the approval target. The semi-annual achievement was 31% against the 2013 AWPB. The module implementation has had about 253,000 ha of land and 164 agro-products certified, including 104 safety foods, 25 green foods and 37 organic foods; 404 technicians/inspectors and 10,081 farmers were trained. Farmers’

awareness on agro-product safety is improved to certain extent.

22. The module aims to improve the safety of agro-products from the source of production through adopting environmentally-sound production practices and certification and eventually a tracing mechanism. Discussions and field visits indicated that the module implementation in many cases mainly focused on the number of products certified, without paying adequate attention to linking product certification with markets. Little price premium for certified products compared to non-certified ones has been the most important factor embarrassing the implementation of this module. This is particularly true for the certification of safety and green foods. Nevertheless, the mission took note of some good cases on the certification of organic foods. The certification of organic potatoes in Chayouzhong county and organic linseeds and buckwheat in Liangcheng county could be examples. The IAs used the information obtaining from market studies and proactively cooperated with the Farmer Associations to establish organic production bases. The products obtained about 30-40% price premium compared to the non-certified products. The mission recommends that CPMOs and IAs should further develop partnership with well-operational associations and cooperatives in the module implementation to pursue price premium for certified products. Only if the certified products have foreseeable potential of obtaining price premium, would the farmers and associations/cooperatives be interested in participating in the production. Technical and market information services remained further strengthening.

## **Component 2: Strategic support to women**

23. *The performance of the whole component is rated moderately satisfactory.* This is based on the assessment of the different sub-components explained and justified in the following paragraphs.

24. **Component 2.1: Women's group micro-credit (WGMC).** *The performance of this module is rated moderately satisfactory.* In the first half of 2013, the module made some progress in all the counties, but Siziwang and Shangdu; 56 WGMCs were newly formed, covering 41 administrative villages; Micro credit benefited 756 households with a total gross loan portfolio of CNY 8,149,440, which accounting for 53% of the annual target. Up to the end of June 2013, accumulatively 437 WMCGs had been formed in 261 natural villages of 121 administrative villages, covering about 3,183 households; the achievement of the number of WGMCs was 118%, exceeding the MTR target. Financially the module has accomplished 68% of the overall target.

25. Training activities were organized by WFs in 49 administrative villages in the first half of 2013, with 3,181 women participated. Cumulatively, 25,621 women have received WFs-organized training, achieving 100% of the target. All the direct beneficiaries of training and lending activities were poor women, composed of 20% of B1, 45% of B2 and 35% of C.

26. Fund disbursement to the module's implementation was unbalanced between counties, with better situation for Zhouzi, Liangcheng and Huade counties and worse situation for Siziwang, Shangdu and Chayouhou counties. The main reason for Siziwang's lagging behind is that the former Chairperson of WF was shifted to another position in 2012 but new chairperson has not yet been put in position. Without a legal person to sign financial documents, no loan disbursement has been made since the beginning of 2013. The mission strongly recommends the PPMO to consult with Siziwang county to put the WGMC activities into functioning. PMOs should also organize further trainings for WFs on basic micro credit theory and practices. Study tours to other well-functioning micro-credit lending institutions in the region/country are also encouraged.

27. The credit manual has been adapted to the local situation in terms of loan size, interest rate, deposit request, institutional arrangements. For example, WGMC member deposit has not been required, because the women members would not join the groups if they were required to deposit money. As a result, there was no revolving fund in WGMCs, the operation of lending is managed by the local WF. The mission recommends that prefecture PMO and WF should make detail review to and consult with county WFs to find out the reasons and justifications of adaptation of current credit manual by the counties. If necessary, the PPMO and WF revise the Credit Manual to standardize the operation of WFs credit lending by taking into account the exit and sustainability.



28. **Component 2.2: Women association support.** *The performance of this module is rated moderately satisfactory.* This module recorded a cumulative financial delivery rate of about 54.9% against the overall target, and the semi-annual financial achievement is about 76.8% against the AWPB for 2013. Reportedly, 42 women associations have been registered with the local authorities. Technical training was delivered to 9,374 women in 371 natural villages of 134 administrative villages, of whom 173 were category A, 2,286 category B1, 3,932 category B2 and 2,983 category C.

29. Although the 2012 supervision mission noted that there was no incentive for women to further grouping themselves into associations. But there were still 15 women associations planned for 2013 and 4 created in the first half of the year. This mission agrees with the recommendation made by the previous supervision mission: suspending support to newly establishment of women associations, balance may be used to supplement the WGMG module.

### **Component 3: Rural financial services**

30. *The performance of the whole component is rated satisfactory.* This is based on the assessment of the different sub-components explained and justified in the following paragraphs.

31. **Component 3.1: RCC operating efficiency up-scaling.** *The performance of this module is rated satisfactory.* This module recorded a cumulative financial delivery of CNY 72,531,560, of which CNY 32,256,870 was from IFAD and CNY 40,274,680 from RCCs' matching fund, accounting for 99.5% against the overall target. The financial achievement for the first half of 2013 was about 66% against the AWPB. The RCCs would achieve both the overall and annual targets ahead of time.

32. However, the progress of activities under this module was not balanced. Hardware acquirement (vehicle and other equipment procurement, branch office renovation) and household lending have reached or exceeded budget target, whereas little progress was made in the capacity improvement for serving the poor – studies, exposure visits, consultancy, product development and piloting, and M&E.

33. New loan products and operational improvement were found in field visits. For instance, the RCCU of Siziwang started a new product of guaranteed loan, lending is guaranteed by a third party who is a natural person of generally good character and in a sound economic status. Siziwang RCCU also adjusted its operational procedure by disbursing loans at any time as required by the borrowers instead of formerly disbursing loans in spring and recovering in autumn. In Liangcheng county, the RCCU had only three products in 2008, but up to 15 products of 7 categories by now. All the RCCUs in Wulanchabu started a new product in cooperation with women federations in 2012, including all the program counties, which is an interest-subsidized guaranteed loan for women business creation and development under a uniform of agreement between the Regional Finance Bureau, Hohhot Central Branch of the People's Bank of China, the Regional Women Federation and the Regional Unity of Rural Credit Cooperatives.

34. In the first half of 2013, RCCs delivered 2,738 program loans in 474 natural villages of 176 administrative villages, and 44% of the borrowers were women. By 30 June 2013, the accumulative number of borrowers under the project was 16,298, covering 1528 natural villages of 434 administrative villages; women borrowers accounted for 46%; 31% were category B1, 40% category B2 and 28% category C households.

### **Component 4: Village development fund (VDF).**

35. *The performance of VDF module is rated satisfactory.* This module aims to improve community infrastructure and strengthen community capacity to plan and manage community development projects through complementing with the Government's Integrated Village Development Program (IVDP). By June 2013, the module recorded a cumulative financial delivery rate of 84.7% against the MTR target and the semi-annual financial achievement was 16.3% against the 2013 AWPB. The low semi-annual financial achievement was a result of seasonal arrangement for the module implementation since most of the works would be carried out in the second half of the year. Thus far the module has been implemented in 117 out of the 145 planned villages. Activities were mainly the construction of village roads, irrigation and drinking water supply facilities; and land improvement, etc. Discussions indicated that the program-built infrastructure was operating well, but in many cases no

operation and maintenance mechanism was established for program works. The mission recommends the CPMOs and IAs facilitate the beneficiary villages to establish O&M mechanism for each of the program-built infrastructure for sustainability.

Agreed action	Responsibility	Agreed date
PMOs will facilitate the IAs continue enhancing the quality of the TE system module implementation in line with the module strategy to ensure the achievement of program objectives.	PPMO, CPMOs and IAs	From Sep 2013
CPMOs and IAs facilitate grouping the greenhouse owners together or link them to relevant marketing associations to improve their access to remunerative markets, while providing further technical services as required.	CPMOs and IAs	By Dec 2013
CPMOs and IAs will facilitate the program-supported marketing associations to improve operation mechanisms in line with the government regulations for farmer cooperatives to enhance their internal management and operation.	CPMOs and IAs	By Dec 2013
CPMOs and IAs will further develop partnership with well-operational associations and cooperatives in the module implementation to pursue price premium for certified products. Technical and market information services remained further strengthening.	CPMOs and IAs	From Sep 2013
PPMO will consult with Siziwang county to put the WGMC activities into functioning.	PPMO	By Sep 2013
PMOs and BOFs will organize further trainings for WFs on basic micro credit theory and practices. Study tours to other well-functioning micro-credit lending institutions in the region/country are also encouraged.	PMOs and BOFs	By Oct 2013
Prefecture PMO and WF will revise the Credit Manual to standardize the operation of WFs credit lending.	PPMO and WF	By Oct 2013
CPMOs and IAs will facilitate the beneficiary villages to establish O&M mechanism for each of the program-built infrastructure for sustainability.	CPMOs and IAs	By Dec 2013

#### d. Programme implementation

36. **Program management.** *The performance of program management is rated satisfactory.* The program management framework remains stable since its establishment. Implementation arrangement continues complying with the program's strategy. PMOs are functioning adequately particularly at prefecture and county levels. Most of the IAs are well knowledgeable of their roles and responsibilities and perform well. This arrangement has facilitated the incorporation of program activities into local government development activities, mitigating the constraints of counterpart financing during the program implementation. Improved coordination between the Finance Bureaus/department and PMOs has led to an expedited reimbursement of program expenditures incurred. Township PMOs and village implementing groups (VIGs) continue being included in the program implementation and M&E.

37. Since the 2012 supervision mission's visit to the program, the management has undertaken a series of actions to improve the program implementation and management. The key actions included (i) about 7 trainings and workshops were held for WFs, RCCs, CPMOs and IAs, program financial officers, program-supported associations and cooperatives, and locally active brokers, respectively. The trainings and workshops have contributed to improving the effectiveness of program activities and also the program management; (ii) organising relevant stakeholders to visit the agro-products fair held in Hunan province for market development; (iii) strengthening on-site supervision of program implementation to expedite the progress of the slowly-progressing activities. Results from those actions were positive, reflecting in the quick progress of program implementation and the accelerated reimbursement of program expenditures incurred.

38. Implementation of the program is generally coherent with the AWPBs, although the 2012 AWPB was less than 100% completed due to fund constraints for some activities. Implementation of the 2013 AWPB progressed well. The mission appreciated the great efforts made by the PMOs and IAs in accelerating the program implementation. The efforts led to a significant progress of implementation for the slowly-progressing modules in 2013. The program management is continuing its effort and expects that the program implementation would achieve about 95% of total financial target and IFAD

loan disbursement would reach about 90% of the total loan proceeds by the end of 2013. However, the program management's priority was mainly given to soothing financial delivery. In some cases such as implementation of the TE system and agro-product safety and certification modules, inadequate attention was paid to strategic performance and results of the intervention. The PMOs and IAs could be more proactive in exploring how the certification of agro-products can obtain price premium to enhance the module's effect by cooperating with marketing organisations/enterprises and how to further enhance the benefit of greenhouses by improving management and market access. The mission recommends that the PMOs and IAs should focus more on enhancing the effectiveness of program interventions in helping the beneficiaries and further exploit the synergistic effects of program modules in implementation.

39. The PPMO consulted with the mission that it might be difficult to completely use the resources allocated to the disbursement Category II: "training, workshops and studies" in the remaining period of program implementation. The mission emphasized that training, workshops, exposure visits and studies for the PMOs and IAs should be continued to further enhance their capacity of program implementation and extending improved services in the program area. Remaining resources, if any, could be reallocated to other program activities as required but it should be included in the coming AWPB for IFAD's "no objection" review before implementation.

40. The mission noted that the program logframe, which was supposed to be adjusted by following the approved MTR adjustment of program activities, was yet to be finalized. The mission recommends that the PPMO should speed-up the finalization of the logframe and submit it to IFAD for confirmation.

41. **Monitoring and evaluation (M&E).** *The performance of M&E is rated satisfactory.* The program M&E system remains stable and functioning normally. The monitoring of program implementation progress and participation of target groups by household categories is appropriate, which provides a good basis for program targeting. The reporting of program inputs and outputs, including the Impact Management System (RIMS) indicators, perform appropriately. However, the assessment of program outcomes and impact and the use of M&E results for making management decision remain to be strengthened.

42. The program carried out a baseline survey and a mid-term survey in 2008 and 2011, respectively. Results of the surveys were reported to IFAD. These comparable surveys helped the management assess the outcome and impact of the program and contributed to improving the planning and implementation of the program. Since the program implementation would be completed by December 2014, the mission recommends the PMOs to organise a RIMS survey in 2014 before the program completion for an overall assessment of the program's outcomes and impact.

43. **Gender focus.** *Gender focus of the program is rated satisfactory.* Gender focus of the program is ensured through (i) including appropriate proportion of women in VIGs and the management structure; (ii) improving working conditions for the WFs by provision of vehicles, equipment and capacity building; and (iii) giving priority to women in program implementation. PMOs' M&E results indicated that a total of 162,065 farmers have directly benefited from the program by participating in the implementation of program activities, of which 55% were women; the women group micro-credit and the women association support modules recorded 25,621 and 8,774 beneficiaries respectively and 100% were women; staff training covered 3,983 persons and women accounted for 40%; RCCs delivered a total of 16,886 program loans and the overall proportion of woman borrowers was 45.6%, ranging from 9% for Xinghe county to 64% Huade county. The PPMO and Xinghe county PMO should consult with the RCCs to focus more on women in the program lending.

44. **Poverty focus.** *Poverty focus of the program is satisfactory.* The program is implemented in 722 villages of 55 townships in the nine counties. All the villages and townships were selected based on poverty incidence, only those villages and townships with high poverty incidence were selected to compose the program area. During program implementation, the farmer households in the program area were classified into four categories: better-off (A), ordinary (B1), poor (B2) and very poor (C). Field visits and discussions indicated that implementation of the program focused on the poor and very poor household categories. PMOs' M&E results indicated that a total of 144,727 households have directly benefited from participating in the program activities by June 2013; of which about 28%

of them were the very poor category and 37% the poor category. The “better-off” and “ordinary” households benefited from the program mainly from their inclusion in the community activities, such as participation in the implementation of the TE system, marketing associations support, strengthening of VLSS, and agro-products safety and certification modules. RCCs delivered a total of 16,886 program loans, 68.5% of the loans went to the economically-active poor and very poor households and 31.5% of them went to the “ordinary” households. The WFs have delivered 3,183 program loans to women and 80% of the loans went to the poor and very poor women.

45. As the previous supervision mission mentioned, this mission also noted that the greenhouses and potato net-sheds were constructed in block and concentrated in a few villages within a county. The PMOs and IAs explained that (i) the greenhouses and net-shed operation required irrigation conditions and (ii) greenhouse production of cash crops needed to reach a relatively large volume for better access to remunerative markets for price premium. These arguments are to certain extent in line with the market environment of the country. Reportedly, out of the 7,117 households provided by the program with greenhouses and potato net-sheds, 78.5% of them were categorized as very poor and poor. Although poverty focus of the program is generally satisfactory, the mission advises the CPMOs and IAs to ensure the benefits of the poor and very poor households in the modules’ implementation.

46. **Effectiveness of targeting approach.** *The effectiveness of targeting approach is rated satisfactory.* Targeting approach of the program includes three steps: (i) the nationally-designated poverty counties were identified before the program design and only those poorer villages and townships within a county were selected to compose the program area at design stage; (ii) all households in program villages were categorized into four groups (A, B1, B2 and C) before the program implementation through participatory wealth ranking exercise. IAs referred to the household category list in modules’ implementation to reach the target groups; and (iii) VIGs were included in the M&E system to monitor the implementation of program activities, which helped ensuring the benefits of the poor and women. The project initially targeted at appraisal a total of 274,266 beneficiaries, of whom not less than 55% should be women. At the time of supervision the project reached a total of 162,065 beneficiaries (59% of the target), of whom 88,924 (55% of the total) are women.

47. **Innovation and learning.** *Performance of knowledge management (KM) is rated moderately satisfactory.* KM of the program performs mainly in the form of meetings, workshops, internal review, and cross-county and –program visits. Meetings and workshops were held mainly for addressing problems encountered in implementation and management, planning and regular summing-up of implementation achievement. Trainings were held for operational purposes, such as financial management, reimbursement of expenditures, M&E and AWPBs’ development. Cross-county and –program visits have benefited the program, particularly in terms of financial management. The PPMO’s and PLG’s regular review of the program implementation facilitated expediting the implementation and improving the quality of implementation.

48. Capturing and documentation of lessons and successful stories continue performing, but inadequately. The mission emphasizes that the PPMO and CPMOs should pay more attention to capturing, documenting and disseminating of lessons and successful stories to further improve the program implementation, finally leading to an overall achievement of the program objectives.

49. Innovations in the program implementation and management have not obtained adequate attention from the management. The mission noted that the close cooperation between IAs and farmer cooperatives/enterprises in implementation of the agro-product safety and certification module in some counties, such as Liangcheng and Chayouzhong visited, could be an example in enhancing the effectiveness of the module. It’s reported that Huade PMO developed a computer software to improve and systematise the program M&E. It may contribute to improving the targeting of program implementation through accurate monitoring of households and beneficiaries participating in each of the program activities. The system has shown a potential of extending to other IFAD-funded projects.

Agreed action	Responsibility	Agreed date
PMOs and IAs will focus more on enhancing the effectiveness of program interventions in helping the beneficiaries and further exploit the synergistic effects of program modules in implementation.	PMOs and IAs	From Sep 2013
PPMO will speed-up the finalization of program logframe and submit it to IFAD for confirmation.	PPMO	By Oct 2013
PMOs will strengthen the assessment of program outcomes and impact and use the M&E results to guide decision-making.	PMOs	From Sep 2013
PMOs will organise a RIMS survey in 2014 before the program completion for an overall assessment of the program's outcomes and impact.	PMOs	Before completion in 2014
PPMO and Xinghe county PMO will consult with the RCCs to focus more on women in the program lending.	PPMO & Xinghe PMO	By Sep 2013
PPMO and CPMOs will pay more attention to capturing, documenting and disseminating of lessons and successful stories to further improve the program implementation.	PMOs	From Sep 2013

### e. Fiduciary aspects

50. **Financial management.** *Financial management of the program is rated satisfactory.* Financial management of the program complies with the Loan Agreement and generates reliable financial information by component and category with annual aggregation at prefecture and county levels. The Special Account and program Accounts at all levels are appropriately managed and maintained. The accounting system is functioning well. The capacity of program financial officers has been greatly enhanced, leading to an improved quality of program accounting and withdrawal application (WA) documents. The mission appreciated the enhanced efficiency of financial management, coming out with a significantly expedited reimbursement of program expenditures incurred. The accelerated flowing of funds greatly mitigated the fund constraints at implementation level and consequently expedited the implementation of program activities.

51. The reimbursed funds were in most cases timely transferred through the PMOs to the IAs for the program implementation. A few fund dwelling cases were found in some counties in 2012 though. Reportedly the issues have been well addressed by disbursing the funds to the IAs for program implementation right after the audit.

52. **Disbursement.** *Disbursement of the loan funds for the program is rated satisfactory.* The program experienced a very slow disbursement before MTR. Since then the disbursement of expenditures has been greatly expedited. The intensified reimbursement of program expenditures maintained well in the first half of 2013. Up to date, the program has submitted 67 WAs and SDR 15,145,842 were disbursed including the initial deposit of SDR 3,167,364, accounting for 79.3% of the total loan proceeds. About 66% of the total disbursed amount was made after MTR and 36% after the previous supervision of September 2012. As a result, implementation progress of the program has also been accelerated greatly since MTR.

53. Reportedly, two WAs valued at about USD 2.8 million were under preparation and they would be ready soon for submission to IFAD for disbursement when the mission was present. The PPMO estimated a cumulative progress on IFAD financing of about USD 27 million. The gap between the financing progress and the total amount disbursed and under preparation was about USD 4 million. The intensified reimbursement of program expenditures should be maintained to expedite the implementation of program modules with low achievements.

54. The mission observed a very unbalanced progress of disbursement between categories, ranging from 27% for the Strategic Support to Women (category III-b) to 103% for the Rural Financial Services (III-C2). The low disbursement rate for category III-b partly resulted from the failure of the advance of revolving funds for WFs.

55. **Counterpart funds.** *Performance of counterpart financing is rated moderately satisfactory.* The PPMO reported a cumulative government financing of about USD 32.13 million and beneficiaries contribution of USD 4.56 million by June 2013, accounting for 84.5% and 91.4% respectively against respective financing targets. Counterpart financing was made mostly by incorporating the program

activities with government projects and some from government fiscal allocation. However, some program modules had few government projects to match and had difficulties to obtain fiscal allocation though the situation varied from county to county. This might be the reasons why the implementation of some program modules progressed much slower than the others, such as the women group micro-credit, women association support, and the agro-product safety and certification modules.

56. The 2013 Audit Report pointed out that a total of about CNY 48.78 million of counterpart funds were not put into place by the end of December 2012. The PPMO stated that this was mainly resulted from the different method of accounting: (i) the counterpart funds verified by the auditors only indicated the amount channelled through the PMO's account, not including those channelled vertically through the implementing agencies in line with the government's financial procedure; (ii) the salaries for PMOs' staff were not accounted by the auditors; and (iii) counterpart financing had to go proportionately to the progress of program implementation, but auditors referred to the AWPB target. When the AWPBs were not 100% completed there would be a gap between the actual disbursement and the target. If this is the case, the PLG at regional level needs to coordinate relevant departments and agencies for an agreeable understanding on the program's financing in accordance with the program Loan Agreement to avoid unnecessary misunderstanding.

57. County WFs are responsible for implementation of the women group micro-credit and the women association support modules. Due to the specific nature of WFs, counterpart financing to WFs for their concurrent costs and the program implementation varied significantly among counties. The mission recommends that the PPMO should consult with county governments to provide committed counterpart funds to WFs for undertaking the program implementation.

58. **Compliance with loan covenants.** *Performance of compliance with loan covenants is rated satisfactory.* Implementation and management of the program are in compliance with the covenants of Loan Agreement (for details see Appendix 6).

59. **Procurement.** *Performance of procurement is rated satisfactory.* Procurements for the program are in compliance with the National Public Procurement Law and satisfy IFAD's requirement. They were done by the IAs, PMOs, and the government procurement offices, depending on the nature of objects to be procured. Constructions of greenhouses, net-sheds and technical services were mainly procured by the PMOs and IAs; vehicles and equipment were in some cases procured by the government procurement offices and some by the PMOs. Procurement methods adopted include direct contracting, local shopping, community participatory procurement and national competitive bidding (NCB). Community participatory procurement is only for the construction of greenhouses and net-sheds. Procurement-related documents are well filed and kept by the PMOs.

60. **Audit.** *The performance of audit is rated satisfactory.* The Audit Office of IMAR conducted the audit by using the International Standards Audit and Government Auditing Standards of PRC. Audit Report for the fiscal year of 2012 was timely submitted to IFAD in 2013. The Auditors expressed an unqualified opinion on the financial statements, the Special Account and SOEs.

61. The observations by auditors in 2013 included (i) insufficient counterpart funding and (ii) dwelling of program funds by county BOFs. The issue of fund dwelling was well addressed by disbursing the funds to IAs right after the program audit in May 2013.

Agreed action	Responsibility	Agreed date
PMOs and BOFs will maintain the intensified reimbursement of program expenditures incurred to expedite the implementation of program modules with low achievements.	PMOs and BOFs	From Aug 2013
PPMO will consult with county governments to provide committed counterpart funds to WFs for undertaking the program implementation.	PPMO	By Oct 2013

## f. Sustainability

62. **Institutional sustainability.** *Institutional sustainability for the program is rated satisfactory.* Implementation of all program modules remains with the government's existing technical institutions at

county level. Although their performances in the program implementation vary between institutions and between counties, their capacity has been improved by participating in the program, particularly in terms of carrying out poverty reduction projects in rural area. At township level, the technical service stations established by the government are growing and perform well. They are knowledgeable of the program strategy and concept through assisting the IAs in the program implementation. Although the VIGs at village level would disappear by the program's completion, the strong inclusion of village committee members in the program VIGs' composition provides a basis for continuous village development through participatory planning. The program supported the establishment of beneficiary-governed/dominated organizations, such as market associations/cooperatives and women groups, which will sustain as their business of interest will continue. Institutional sustainability and continuous services to the beneficiaries are foreseeable.

**63. Social sustainability (Empowerment).** *Social sustainability is rated satisfactory.* Social sustainability for the program is reflected in two aspects: (i) the program-supported/established farmer interest groups, such as the marketing associations, women associations, women micro-credit groups, greenhouses and net-shed management groups, and infrastructure O&M groups, are growing and will continue operating in the program area. Their functioning will enhance the community cohesion and build up the social capital. The enhanced capacity of village committees by participating in the program will also contribute to improving their capability in planning and managing community development projects through participatory approach; (ii) Technical training and credit lending activities have empowered the beneficiaries, particularly women, through improved capacity and increased income. Cumulatively, 143,292 farmers (55% women) were trained with new and improved technologies and 19,481 farmers (46% women) received credit support from the program. The foreseeable continuous technical services and credit lending in the program area will sustain the empowerment of beneficiaries, outreaching to more farmers with time.

**64. Economic and financial sustainability.** *Economic and financial sustainability is rated satisfactory.* Economic and financial sustainability of the program beneficiaries are foreseeable: (i) improved capacity would be the basis for the beneficiaries to sustain their production and income generating activities; (ii) increased household assets, including the greenhouses, net-sheds, improved animal breeds, and certified land for production of safety and organic products, created potentials for the beneficiaries to increase their income sustainably; (iii) on average farmers' per capital net income increased from CNY 2,916 in 2008 to CNY 4,089 in 2012, which indicated an enhanced self-financing capacity of the beneficiaries; (iv) RCCs and WFs will continue providing credit lending services to the program target groups after the program completion, although agreements on the number of years require further confirmation between RCCs/WFs and the county governments; and (v) the developing marketing associations would become more and more important in organising and helping their members in terms of market-oriented production of agro-products, although the current performance of associations is yet to be enhanced.

**65. Technical sustainability.** *Technical sustainability is rated satisfactory.* Capacity building for the staff of technical agencies and farmer technicians and improvement of grassroots technical service institutions are important elements of the program, aiming at improving the access of rural men and women to technical services. The government is also emphasizing the strengthening of technology transfer to rural area through supporting to improve the existing technical service institutions and assigning technical envoys, etc. The technical staff and farmer technicians are receiving regular training on updated technologies with the support of the IFAD-funded program and other governmental projects. Sustainable technical services to the program target groups are foreseeable. The close collaboration between PMOs and technical agencies in the program implementation would likely further strengthen the sustainable technical services to the program beneficiaries. The rapid development of farmer cooperatives in the program area would also be a great potential for sustainable technical services.

**66. Environmental sustainability.** *Environmental sustainability of the program is rated satisfactory.* Sustainable development by improving the environment is one of the program's objectives. Most of the program activities were designed with environment improving attributes. The construction of greenhouses and net-sheds aims at increasing the land productivity through

production of high-value cash crops, which will contribute to reducing the cultivation of marginal land in the program area and thus have positive impact on the environment. The agro-products safety and certification and the technical services incorporating with training on environment-friendly practices have a long-term contribution to the improvement of environment. Support to livestock development includes the in-pen rearing of animals to reduce grazing and thus improve the environment.

67. **Exit strategy.** *Exit strategy of the program is rated moderately satisfactory.* The program is in line with the governmental development and poverty reduction strategy. It is foreseeable that the government will continue supporting the overall development of the program area through technical and financial support. However, in many cases O&M mechanism has not yet been established for the program-built works, although they have been handed over to local communities and farmer households for operation. Little attention has been paid to develop exit plan for sustaining the program activities. The mission recommended the PMOs consult with the IAs to take due consideration of developing an exit and sustainability plan for each of the program modules, particularly the WGMC and TE system modules.

Agreed action	Responsibility	Agreed date
PMOs will consult with the IAs to take due consideration of developing an exit and sustainability plan for each of the program modules, particularly the WGMC and TE system modules.	PMOs and IAs	Before next SIS

## g. Other

68. The program has contributed to improving the livelihoods of farmer households in the program area. Field visits confirm that many beneficiaries have improved their livelihoods through participating in the program activities such as running greenhouses and potato net-sheds, taking program loans from RCCs/WFs, and adoption of new technologies. Although the overall outcome and impact of the program are yet to be assessed by carrying out household survey before the program completion, government's data indicated that farmers' average annual per capita net income in the program area increased from CNY 2,916 in 2008 to CNY 4,089 in 2012, showing a higher increase rate than the overall average for the program counties. The mid-term RIMS survey also indicated that a large number of farmer households in the program area have improved their household assets such as houses, refrigerator, TV and agro-machines. The program impact is also reflected in the reduced number of the "poorest" and "poor" households.

## h. Conclusion

69. The program is in line with the government's poverty reduction policy directives. Its implementation and management are in conformity with the program strategy, although in some cases the performance of module implementation remains to be improved. The program has contributed to improve the livelihoods of beneficiaries through enhanced capacity and increased income.

70. Program implementation has been expedited after MTR and the acceleration maintained well in 2013, as a result of the greatly intensified reimbursement of program expenditures incurred. Nevertheless, program implementation has been mainly focusing on financial delivery and physical progress, inadequate attention was paid to enhance the effectiveness of program interventions. Capturing and documentation of lessons and successful stories and sharing them cross-counties and with all stakeholders deserve much more attention to enhance overall effectiveness of the program in achieving its objectives.

71. Some program modules, such as the agro-products safety and certification, WGMC, and women association support, still recorded relatively low achievements. While expediting the implementation of those modules, adequate attention should be drawn to enhancing the effectiveness of the modules on benefiting the target groups through documenting the successful cases and share them with cross-county stakeholders.

72. The program is closing to its final year of implementation. The mission recommends the PPMO



take due consideration to develop a program exit and sustainability guideline in the forthcoming year. The guideline should include, among other things, the up-scaling of positive program activities; the sustainable operation and maintenance of physical works by forming beneficiaries' interest groups and establishing effective operation and maintenance mechanisms; sustainable technical, social and financial services; and post-program management, etc. A program completion survey before the program completion is also recommended for an overall assessment of the program's outcomes and impact.

73. IFAD and the authorised agencies of Inner-Mongolia Autonomous Region, P. R. China, endorse the findings and recommendations of the mission laid out in this Aide Memoire.

He Qibin  
Team Leader  
IFAD Supervision and Implementation  
Support Mission

Zhao Jin  
Deputy governor of Wulanchabu prefecture  
Inner-Mongolia Autonomous Region,  
P. R. China

Date: August 19, 2013

Date: August 19, 2013

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## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	China			Project ID	1400	Loan/DSF Grant No.	740
Project	Inner Mongolia Autonomous Region Rural Advancement Programme					Supp. Loan/DSF Grant	
Date of Update	22 September 2012					Financing terms	HC
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	4				
Last Supervision	Sept 2012	Last Implementation Support/Follow-up mission	Dec 2012				

USD million Disb. rate %

Approval	13-Dec-2007			Total costs	73.64	
Agreement	12-Feb-2008	Effectiveness lag	11.2	IFAD Total	30.62	
Effectiveness	12-Nov-2008	PAR value	Not at risk	IFAD loan	30.62	75.4
MTR	22-Sep-2011			DSF grant		
Current completion	31-Dec-2014	Last Amendment		IFAD grant		
Current closing	30-Jun-2015	Last Audit	June 2013	Domestic Total	43.02	85.3
No. of extensions	0			Beneficiaries	4.99	91.4
				Government (National)	38.03	84.5
				Other Domestic		
				Cofinancing Total		

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	5	1. Quality of project management	4	5
2. Acceptable disbursement rate	4	5	2. Performance of M&E	4	5
3. Counterpart funds	3	4	3. Coherence between AWPB & implementation	4	4
4. Compliance with loan covenants	5	5	4. Gender focus	4	5
5. Compliance with procurement	4	5	5. Poverty focus	4	5
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	4	4
			8. Climate and environment focus	N/A	5

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Component 1: Production & market access	4	4	1. Institution building (organizations, etc.)	4	5
2. Component 2: Strategic support to women	4	4	2. Empowerment	4	5
3. Component 3: rural financial services	5	5	3. Quality of beneficiary participation	4	5
4. Component 4: Village development fund	5	5	4. Responsiveness of service providers	4	5
5.			5. Exit strategy (readiness and quality)	3	4
6.			6. Potential for scaling up and replication	4	4
7.					

### B.5 Justification of ratings

#### Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	5
C.2 Food security	4	5
C.3 Quality Natural Asset Improvement & Climate Resilience	N/A	5

- C.4 Overall <b>implementation progress</b> (Sections B1 and B2) 4 5  
Financial management has been greatly improved; program implementation and loan disbursement have been greatly expedited; program implementation well targeted the poor and women.
- C.5 Likelihood of achieving the development objectives (section B3 and B4) 4 5  
Overall implementation progress reached 86.5% against total target and some modules 100% completed; beneficiaries' income increased and food security improved.

C.6 **Risks** *Short description of major risks for each section and their impact on achievement of development objectives and sustainability*

<u>Program management:</u> No major risk for this section	
<u>Fiduciary aspects:</u> Counterpart funds for a couple of modules in some counties were not timely delivered	
<u>Project implementation progress:</u> The agro-product safety and certification, women association, and WGMC modules still recorded relatively low achievements, although expedited implementation has been noted since 2012.	
<u>Outputs and outcomes:</u> No major risk for this section.	
<u>Sustainability:</u> Sustainability plan for some modules, such as TE system and WGMC, needs to be developed.	

**Proposed Follow-up**

Issue / Problem	Recommended Action	Timing	Status
Low achievement for some modules	CPMOs will consult with relevant IAs to continue expediting implementation of those modules with low financial achievement, including the agro-product safety and certification, women group credit and women association support modules, in order to achieve the program objectives.	31 Aug 2013	
Inadequate attention to outcome	PMOs will facilitate the IAs continue enhancing the quality of the TE system module implementation in line with the module strategy to ensure the achievement of program objectives.	From Sep 2013	
	CPMOs and IAs facilitate grouping the greenhouse owners together or link them to relevant marketing associations to improve their access to remunerative markets, while providing further technical services as required.	By Dec 2013	
	PPMO will consult with Siziwang county to put the WGMC activities into functioning.	By Sep 2013	
Logframe yet to be finalized, inadequate knowledge sharing	PPMO will speed-up the finalization of program logframe and submit it to IFAD for confirmation.	By Oct 2013	
	PPMO and CPMOs will pay more attention to capturing, documenting and disseminating of lessons and successful stories to further improve the program implementation.	From Sep 2013	
Inadequate counterpart financing	PPMO will consult with county governments to provide committed counterpart funds to WFs for undertaking the program implementation.	By Oct 2013	
Exit strategy	CPMOs and IAs will facilitate the beneficiary villages to establish O&M mechanism for each of the program-built infrastructure for sustainability.	By Dec 2013	

**Additional observations:**

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## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative summary		Key indicators	Data source	Achievements
		<b>Overall goal and project purpose</b>		
<b>Overall goal:</b> Successful innovative pilot approaches to poverty reduction are applied on a larger scale in IMAR by Government and other donors.		▪ Innovative poverty reduction approaches successfully trialed (no. and nature)	Govt policy statements and regulations	Not reported
		▪ Successful approaches implemented by Government and other donors (no, scale and budget allocations)	Govt and donors plans and budget allocations.	Not reported
		▪ Legal and policy framework adjustments facilitating poverty reduction (no. and nature)	Govt plans and budget allocations	Not reported
<b>Project purpose:</b> Poverty is reduced in a sustainable and gender equitable way by establishing improved access to information, technology, rural financial services and markets for some 127,000 households		▪ 75% of beneficiary households with improved food security (and no. this represents)	Household survey	79% (MTR)
		▪ 50% reduction in child malnutrition	RIMS survey; BoH stat.	-90% (B), 56% (G) (MTR)
		▪ 55% increase in households' assets ownership index	RIMS survey	36% (MTR)
<b>Outcomes and Outputs, by Component</b>				
<b>Component 1. Production and market access</b>				
<b>Outcome 1.1 (Module 1):</b> Adoption by some 80,000 beneficiary farmers of improved production technologies and improved farmers' knowledge, achieved through development of improved extension services.		▪ 80% of beneficiary hhs adopting recommended technologies	Household surveys	87% (MTR)
		▪ 49,000 beneficiary hhs reporting production increase	Household surveys	48% of beneficiary HHs (MTR)
<b>Outputs:</b>	1.1.1 ▪ TEs trained and assigned	▪ 468 service providers trained	Implementers records	453 trained
	1.1.2 ▪ Demonstrations carried out (by type)	▪ 468 demonstrations, by type	Implementers records	466 carried out
	1.1.3 ▪ Farmers trained (by gender)	▪ 100,000 farmers trained, by gender and topic	Implementers records	93,472 trained (51% women)
<b>Outcome 1.2 (Modules 2&amp;3):</b> Increased production of quality vegetables for about 38,700 households achieved through establishment of permanent and semi-permanent greenhouses.		▪ 90% of beneficiary hhs reporting production increase	Household surveys	100% (MTR)
		▪ 4,300 beneficiary hhs, by poverty status	Implementers records	Not reported
		▪ 95% of greenhouses still operational after 3 years	Household surveys	100% (MTR)
<b>Outputs:</b>	1.2.1 ▪ Greenhouses built covering up to 2,150 mu (143 ha)	▪ 4,300 greenhouses built	Implementers records	4,865 built
		▪ 2,150 mu of land covered by greenhouses	Implementers records	2,432.5 mu covered
	1.2.2 ▪ Farmers trained for greenhouse production	▪ 4,300 farmers trained, by gender and poverty status	Implementers records	4,794 trained (53% women)
<b>Outcome 1.3 (Module 4):</b> Increased virus-free seed potato production for some 2,440 farmers achieved through establishment of netsheds.		▪ 2,196 households' income increase from seed potato production, by gender and poverty status	Household surveys	Not reported
		▪ 95% of netsheds still operational after 3 yrs	Household surveys	100% (MTR)
		▪ 95% supported farmers adopting recommended techniques	Household surveys	100% (MTR)
<b>Outputs:</b>	1.3.1 ▪ Potato netsheds constructed, covering 2,440 mu (162 ha)	▪ 2,440 netsheds constructed	Implementers records	2,309 built
		▪ 2,440 mu of land used for potato production	Implementers records	2,309 mu covered
	1.3.2 ▪ Farmers trained in seed potato production	▪ 2,440 farmers trained in seed potato production (by gender and poverty status)	Implementers records	1,931 trained (55% women)

Narrative summary			Key indicators	Data source	Achievements
<b>Outcome 1.4 (Module 5):</b> Increased livestock production for some 34,500 farmers achieved through strengthening of Village Livestock Service Stations, with particular emphasis on improved feeding management.			▪ 34,500 hhs accessing services through VLSS	Household surveys	Not reported
			▪ 85% of hhs adopting recommended technology, by poverty status	Household surveys	93% (MTR)
			▪ 80% of hhs reporting livestock production increase (by poverty status)	Household surveys	83% (MTR)
<b>Outputs:</b>	1.4.1	▪ AVs trained (by topic and gender)	▪ 345 AVs trained, by topic	Implementers records	389 trained
	1.4.2	▪ VLSSs established and equipped	▪ 345 VLSSs established and equipped	Implementers records	326 established
	1.4.3	▪ Fodder crops demonstrations established	▪ 1,380 demonstrations established	VLSS records	Not reported
	1.4.4	▪ Farmers trained in livestock rearing	▪ 34,500 farmers trained, by gender and poverty status)	VLSS records	42,518 trained (44% women)
	1.4.5	▪ VLSSs received improved breed animals	▪ 345 VLSS receiving animals	VLSS records	326 VLSSs received
<b>Outcome 1.5 (Module 6):</b> Improved linkage of some 36,000 farmers with buyers and markets, achieved through establishment of 105 Marketing Associations, cooperatives and joint companies and resulting in improved market returns.			▪ 36,000 farmers regularly accessing marketing services	MAAs records	Not reported
			▪ 80% of beneficiary households reporting income increase, by gender and poverty status	Household survey	Not reported
<b>Outputs:</b>	1.5.1	▪ Marketing Associations established and supported	▪ 180 associations established	Implementer records	176 established
	1.5.2	▪ Members trained in marketing	▪ 36,000 persons trained, by gender and topic		24,509 trained (49% women)
<b>Outcome 1.6 (Module 7):</b> Increased production and improved marketing of certified and safe agricultural products, achieved through the implementation of industry-based organic certification schemes, the establishment of 36 Marketing Associations, and training of 516 Food Safety Agents and Inspectors.			▪ Annual volume of certified production sold, by crop	Township and county agricultural stats.; Associations' records; Market surveys	Not reported
			▪ 80% of participated hhs reporting income increase from certified product production		Not reported
			▪ 90% of certified products obtaining >20% price premium compared to non-certified products		42% (MTR)
<b>Outputs:</b>	1.6.1	▪ Food safety agents trained	▪ 360 food safety agents trained, by gender	Associations' records	404 trained
	1.6.2	▪ Farmers trained on certified products production	▪ 7,500 farmers trained on production of certified production, by gender		10,081 trained
	1.6.3	▪ Agro-products certified	▪ No. of products certified		164 certificated
	1.6.4	▪ Area of land under certified production control	▪ Area of land under certified production control		Not reported
<b>Component 2 : Strategic support for women</b>					
<b>Outcome 2.1 (Module 9):</b> Increased involvement of some 11,100 women in income generating activities, achieved through establishment of 370 Women Credit Groups and skills development.			▪ 90% of Women Credit Groups still operating after 3 years	Group and household survey.	100%
			▪ 60% of members obtaining loans from RCC or other mainstream credit institutions		Not reported
			▪ At least 95% repayment rate		Not reported
<b>Outputs:</b>	2.1.1	▪ Women Credit Groups established	▪ 370 credit groups established	Implementers' and Groups' records	437 groups formed
	2.1.2	▪ Group members trained in IGAs	▪ 11,100 woman members trained in IGAs	Groups' records	25,621 trained (100% women)
<b>Outcome 2.2 (Module 10):</b> Women's Associations formed at township level to support the development and activities of the village-level Women's Credit Groups.			▪ Average annual hh net income derived from Groups' activities	Surveys	Not reported
			▪ 70% of members obtaining loans from RCC	Surveys	Not reported
			▪ 90% of Women Associations still operating after 3 years	Surveys	100%

Narrative summary			Key indicators	Data source	Achievements
Outputs:	2.2.1	▪ Women Associations established	▪ 54 Women Associations established	WFs and WAs' records	41 established
			▪ 60% of members from Women Credit Groups		Not reported
	2.2.3	▪ WAs' members trained in income-generating activities	▪ 10,800 members trained, by gender		8,774 trained (100% women)
Component 3 : Rural financial services					
<b>Outcome 3.1 (Module 11):</b> Improved operational capacity and financial viability of 36 RCCs and 9 RCCUs to provide financial services to the rural sector, achieved through improved management and operational systems, skills development, a more diversified range of products and services, and increased capital resources for lending			▪ Value of savings (by gender)	RCC lending records.	Not reported
			▪ Value of gross loan portfolio (by gender)	RCC records	Not reported
			▪ % of portfolio at risk	RCC records	Not reported
			▪ % of operational self-sufficiency	RCC Annual Reports	Not reported
			▪ % of operating cost as a ratio of loan portfolio	RCC Annual Reports	Not reported
			▪ % of outstanding loans per RCC loan officer	RCC Annual Reports	Not reported
			▪ Profit margin, Net income/Total operating income (%)	RCC Annual Reports	Not reported
			▪ Asset utilisation, Total operating income/ Total assets	RCC Annual Reports	Not reported
Outputs:	3.1.1	▪ RCC branches and 9 RCCUs supported	▪ 36 RCCU branches supported	RCC lending records.	36 supported
	3.1.2	▪ New microcredit products developed	▪ No. of new microcredit product developed	RCC Annual Reports	Not reported
	3.1.3	▪ RCCU staff trained	▪ 90 RCCU staff trained, by gender	RCC Annual Reports	82 trained
	3.1.4	▪ 8,500 active borrowers	▪ No. of active borrowers, by gender and poverty status	RCC Annual Reports	16,298 borrowers (46% women)
Component 4 : Programme management and VDF					
<b>Outcome 4.1 (Module 13):</b> Improved community infrastructure and strengthened community capacity to plan and manage community development projects, achieved through establishment of Village Development Funds.			▪ 90% of infrastructure in good condition three years after construction	VIG/township records	100%
Outputs:	4.1.1	▪ Village plans prepared by the VIGs using community-based participatory processes	▪ 145 VDPs prepared	PAO records	117 VDPs prepared
	4.1.2	▪ Village Infrastructure Groups established	▪ 145 O&M groups established	Implementers' records	Not reported
	4.1.3	▪ Village infrastructure constructed	▪ No. of infrastructure constructed (by type)	Implementers' records	Not reported
			▪ No. of beneficiaries	Implementers' records	Not reported

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## Appendix 3-1: Summary of key actions to be taken within agreed timeframes

Action area	Agreed action	Responsibility	Agreed date
Overall assessment	CPMOs will consult with relevant IAs to continue expediting implementation of those modules with low financial achievement, including the agro-product safety and certification, women group credit and women association support modules, in order to achieve the program objectives.	PPMO & CPMOs	31 Aug 2013
	PPMO will consult with each of the CPMOs to find out if there would be activities which might not able to be completed by the program completion date due to less demand or other reasons. Necessary minor reallocation of resources among program modules as required should be included into the coming AWPB for implementation to avoid incomplete use of the loan proceeds for the program.	PPMO	30 Oct 2013
Output and outcome	PMOs will facilitate the IAs continue enhancing the quality of the TE system module implementation in line with the module strategy to ensure the achievement of program objectives.	PPMO, CPMOs and IAs	From Sep 2013
	CPMOs and IAs facilitate grouping the greenhouse owners together or link them to relevant marketing associations to improve their access to remunerative markets, while providing further technical services as required.	CPMOs and IAs	By Dec 2013
	CPMOs and IAs will facilitate the program-supported marketing associations to improve operation mechanisms in line with the government regulations for farmer cooperatives to enhance their internal management and operation.	CPMOs and IAs	By Dec 2013
	CPMOs and IAs will further develop partnership with well-operational associations and cooperatives in the module implementation to pursue price premium for certified products. Technical and market information services remained further strengthening.	CPMOs and IAs	From Sep 2013
	PPMO will consult with Siziwang county to put the WGMC activities into functioning.	PPMO	By Sep 2013
	PMOs and BOFs will organize further trainings for WFs on basic micro credit theory and practices. Study tours to other well-functioning micro-credit lending institutions in the region/country are also encouraged.	PMOs and BOFs	By Oct 2013
	CPMOs and IAs will facilitate the beneficiary villages to establish O&M mechanism for each of the program-built infrastructure for sustainability.	CPMOs and IAs	By Dec 2013
Implementation progress	PMOs and IAs will focus more on enhancing the effectiveness of program interventions in helping the beneficiaries and further exploit the synergistic effects of program modules in implementation.	PMOs and IAs	From Sep 2013
	PPMO will speed-up the finalization of program logframe and submit it to IFAD for confirmation.	PPMO	By Oct 2013
	PMOs will strengthen the assessment of program outcomes and impact and use the M&E results to guide decision-making.	PMOs	From Sep 2013
	PMOs will organise a RIMS survey in 2014 before the program completion for an overall assessment of the program's outcomes and impact.	PMOs	Before completion in 2014
	PPMO and Xinghe county PMO will consult with the RCCs to focus more on women in the program lending.	PPMO & Xinghe PMO	By Sep 2013

	PPMO and CPMOs will pay more attention to capturing, documenting and disseminating of lessons and successful stories to further improve the program implementation.	PMOs	From Sep 2013
Fiduciary Aspects	PMOs and BOFs will maintain the intensified reimbursement of program expenditures incurred to expedite the implementation of program modules with low achievements.	PMOs and BOFs	From Aug 2013
	PPMO will consult with county governments to provide committed counterpart funds to WFs for undertaking the program implementation.	PPMO	By Oct 2013
Sustainability	PMOs will consult with the IAs to take due consideration of developing an exit and sustainability plan for each of the program modules, particularly the WGMC and TE system modules.	PMOs and IAs	Before next SIS



## Appendix 3-2: Progress against previous mission's recommendations

Action area	Agreed action	Responsibility	Agreed date	Progress
Overall assessment	PPMO organizes one-to-one consultation with counties either progressed slowly or have module stalled, aiming at identifying bottlenecks and solutions before the 2013 AWPB is to be undertaken. Minutes of such consultations be shared with prefecture/county PLGs and IFAD.	PPMO, CPMO & IAs	30 Nov 2012	Issues were addressed through 3-days meetings with all counties in Sep 2012.
Output and outcome	CPMO coordinate with BOST to ensure technical envoy concepts and module strategy better implemented by BOST and matching resources mobilized to sustain TE.	BOST, CPMO	From Oct 2012	Coordination was done by visiting each of the counties in Oct and Nov 2012.
	Establish partnership with production cooperatives and associations to deliver agro-product safety training and certification	IA	From Oct 2012	Four training courses were in Mar and Jun 2013 and gave positive results.
	To sign MOU between IA and marketing associations to clarify objectives and specify rights and obligations	IA of module 6	By 31 Dec 2012	MOUs were signed by between IAs and marketing associations after the mission.
	Provide required matching fund and speed up reimbursement to WFs in counties lagging behind	PLG, PPMO	From Oct 2012	Issues in Xinhe, Liangcheng, Chayouqian, Siziwang and Huade were well addressed, others were partly addressed.
	Start innovative experiments at least in one or two project counties for pro-poor rural finance services	PPMOs, RCCU	By 31 Dec 2012	Experiments were done in Huade, Zuozi and Chayouhou counties.
	Suspend support to new women associations, balance maybe used to supplement the WMCG module if needed be	WFs	From Oct 2012	Resources have been used to supplement the WMCG module.
	Sign agreement to ensure continuous RCC lending to target groups in project villages	CPMO/BOF, RCCU	By next IFAD SIS	Agreements were not signed, but RCCs focus more on the target groups.
	Suspend module 12 mainstreaming grass root MC	CPMOs	From Jan 2013	Module 12 mainstreaming grass root MC was suspended.
	PMO and PAO in Shangdu and Chayouzhong coordinate to speed up implementation of VDF module	PMO/PAO	By 31 Dec 2012	100% completed in Chayouzhong county and 54.5% completed in Shangdu county.

Implementation progress	PMOs and IAs direct focus to strategic performances and intervention effectiveness while soothing financial delivery	CPMO, IA	From Oct 2012	Implementation focuses more on the effectiveness of intervention.
	Government financing to WF and IFAD loan for WF credit revolving funds be availed soonest	PLG, WF, IFAD	From Oct 2012	100% of revolving funds delivered to WFs.
	A PLG meeting been convened in each county before finalizing the 2013 AWPB to confirm the sources and amount of counterpart financing module by module. Conclusion of the meeting be reported to PPMO.	PLG facilitated by CPMO, IAs	31 Oct 2012	Meetings were held in Sep 2012 and results reported to PPMO.
	Some budget and activities are planned in the 2013 AWPB for CPMOs to carry out knowledge distilling and dissemination activities	CPMOs	31 Oct 2012	Budgets for knowledge management were included in 2013 AWPB.
Fiduciary Aspects	Training to PPMO FM officer to be arranged	PPMO	By 31 Mar 2012	Three FM PPMO officers were trained in Oct 2012.
	Training and on-site guidance be provided by PBOF and PPMO to counties in need in disbursement and replenishment	PBOF, PPMO	From Oct 2012	On-site guidance was done in Nov and Dec 2012 and Apr and May 2013, respectively.
	CPMOs keep accounts for all program activities in the county and provide consolidated financial reports to PPMO	CPMO	From Jan 2013	Consolidated financial reports were prepared and reported to PPMO.
	CPMO to coordinate with PLG in mobilizing counterpart financing required for program implementation	PLG, CPMO	From Oct 2012	Delivery of counterpart funds continues improving.
	WF to keep separate accounts for revolving funds and operation budget. WF should report to BOF and CPMO the year-end balance of credit capital annually.	WF	31 Dec 2012	Accounts have been separated.
	PPMO/BOF issue formal communication to county PMOs on requirements for procurement of goods and services, specifying supporting documents required for reimbursement.	PPMO, PBOF	31 Dec 2012	Complied
	Provides to IFAD through its China Office copy of evidence addressing previous audit recommendations	PPMO/Auditor	31 Oct 2012	Office copy of evidence addressing previous audit recommendations provided.
Sustainability	PPMO/CPMOs review the options and opportunities for an exit strategy of the program especially with modules relating to TE, marketing access, women group and RCC	PPMO, CPMOs	31 Mar 2013	Complied.

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## Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Outputs by Module	Indicator		Physical progress (as per 30/06/2013)					
			Approval (Global)	Cumulative	%	2013 AWPB	2013 Actual	%
		Unit	MTR				Jan-Jun 2013	
<b>Module 1: Technical envoy</b>								
Technical envoys received training on new technologies	Number of technical envoys trained	Number	468	453	96.8	68	42	61.8
Initiating funds used for demonstration	No. of demonstrations carried out	Number	468	466	99.6	68	30	44.1
<b>Module 2: Permanent greenhouse</b>								
Sustainable agro-production facilities developed	Number of permanent greenhouses built	Number	1,960	2,421	123.5	171	227	132.7
Irrigation facilities established	Number of irrigation systems built	Number	66	75	113.6	7	7	100.0
Electricity supply done	Number of permanent greenhouses supplied with electricity	Number	941	764	81.2	7	41	585.7
Technical staff trained	Amount used for technical training of relevant staff	CNY'000	567.7	492.9	86.8	52.2	37.2	71.3
Beneficiaries trained successfully with practical techniques	Number of farmers trained, by sex	Number	1,960	2,411	123.0	221	218	98.6
<b>Module 3: Semi-permanent greenhouse</b>								
Sustainable agro-production facilities developed	Number of semi-permanent greenhouses built	Number	2,340	2444	104.4	120	112	93.3
Irrigation facilities established	Number of irrigation systems built	Number	78	83	106.4	8	2	25.0
Technical staff trained	Amount used for technical training of relevant staff	CNY'000	680.9	472.2	69.3	92.8	15.6	16.8
Beneficiaries trained successfully with practical techniques	Number of farmers trained, by sex	Number	2,340	2,395	102.4	561	100	17.8
<b>Module 4: Potato net-shed</b>								
Sustainable agro-production facilities developed	Number of net-shed built	Number	2440	2039	83.6	350	125	35.7
Irrigation materials supplied	Number of irrigation systems supplied	Number	244	210.0	86.1	35	13.0	37.1

Technical staff trained	Amount used for technical training of relevant staff	CNY'000	1601.1	990.3	61.8	253.9	97.1	38.2
Beneficiaries trained successfully with practical techniques	Number of farmers trained, by sex	Number	2440	1819	74.5	743	140	18.8
<b>Module 5: Strengthening of VLSS</b>								
Training of village livestock technicians conducted	No. of technicians trained	Number	345	425	123.2	36	34	94.4
Demonstration of new technology carried out	No. of demonstrations	Number	1,380	1,304	94.5	230	91	39.6
Farmers training and field tour concluded	No. of farmers trained	Number	34,500	40,190	116.5	4,900	3,709	75.7
Veterinary & processing equipment supplied	Sets of equipment provided	Set	345	326	94.5	40	5	12.5
Breeding stock introduced	No. of breeding stock introduced	Number	345	371	107.5	37	7	18.9
<b>Module 6: Marketing association support</b>								
Association MGT training conducted	No. of managers trained	Number	180.0	176.0	97.8	116.0	76.0	65.5
Member training on operations conducted	No. of members trained, by sex	Number	36000	22631	62.9	20380	3526	17.3
Market development support activities conducted	Amount of fund used for marketing	CNY'000	11,952.2	8,223.1	68.8	3069.12	4269.5	139.1
Association office equipment acquired	Amount of fund used to acquire office equipment	CNY'000	2788.8	1350.3	48.4	1878.5	151.2	8.0
Marketing infrastructure established	No. of storages built	Number	180.0	113.0	62.8	57.0	33.0	57.9
<b>Module 7: Agro-Product Safety</b>								
Production technician training conducted	No. of technicians trained	Number	412	404	98.1	60	58	96.7
Production guideline development carried out and training material produced	Amount of fund used to develop production guideline/training materials	CNY'000	171.1	134.3	78.5	45.6	30.7	67.3
Technical supports for farmers carried out	No. of member farmers trained	Number	7500	10081	134.4	1690	1740	103.0
Provision of bio-safety facilities undertaken	Amount of fund used to procure biological control facilities	CNY'000	1710.7	1020.9	59.7	565.7	86.7	15.3
Documentation and traceability system developed	Fund used for establishing doc. & traceability system	CNY'000	1,163.3	683.8	58.8	442.7	122.6	27.7
Certification carried out	Funds used for certification	CNY'000	2121.3	1348.1	63.6	774.4	203.5	26.3
Physical environmental analysis & monitoring carried out	Funds used for physical environmental analysis & monitoring	CNY'000	1984.4	1155.1	58.2	705.1	159.8	22.7
<b>Module 9: Women group micro-credit</b>								
Initial training and group formation concluded	No. of women micro-credit groups formed and initial training conducted	Number	370	437	118.1	120	56	46.7
Skill and technical training conducted	No. of group members trained with	Number	24580	24361	99.1	9100	3181	35.0

	skills, by sex							
WGMC revolving fund established	Amount of fund provided to WMCG as seed capital	CNY'000	15,327	8149.4	53.2	7304.2	3131.4	42.9
Operating expenses provided	Amount of fund provided to WMCG as operating expenses	CNY'000	689.7	886.1	128.5	786.9	271.0	34.4
<b>Module 10: Women association support</b>								
WA office equipment provided	Number of women associations provided with computers and other basic office equipment	Number	65	41	63.1	15	4	26.7
Initial and organizational training done	Number of WA members trained, by sex	Number	13,000	8774	67.5	800	800	100.0
Exposure visits carried out	Amount used for exposure visits	CNY'000	1,564.7	849.4	54.3	353.0	180.6	51.1
Women associations registered	Number of women associations registered	Number	65	42	64.6	4	4	100.0
Operating expenses	Amount provided to WA as operating expenses	CNY'000	1,672.0	169.2	10.1	441.6	0.0	0.0
<b>Module 11: Branch operating efficiency up-scaling</b>								
Motorcycle procured	Number of motorcycles provided to township RCCs	Number	180	180	100.0	0	0.0	
Desktop computer & accessories procured	Amount for computer equipment for RCCU and participating RCCs	CNY'000	561	578	103.1	7	0.0	0.0
4WD jeeps procured	Number of 4WD jeeps procured for RCCUs	Number	18	18	100.0	0	0	
Office renovation carried out	Amount for RCC office renovation	CNY'000	754.3	818.1	108.5	7.9	0.0	0.0
Studies and surveys undertaken	Amount used to support studies and surveys	CNY'000	5,399.9	3285.4	60.8	1028.4	77.0	7.5
Product dev. & adjustments carried out	Amount for support product dev & adjustment	CNY'000	1,371	636.3	46.4	208.2	0.0	0.0
Training & exposure undertaken	Number of RCCU and RCC managers and credit officers participating in training and exposure, by sex	Number	90	82	91.1	44	10	22.7
Pilot activities carried out	Amount used to carry out pilot activities	CNY'000	3,085.7	875.7	28.4	887.1	80.0	9.0
M&E RIMS undertaken	Amount used to undertake M&E and RIMS activities	CNY'000	2,262.8	1196.8	52.9	550.8	64.8	11.8

On-lending funds disbursed	Amount provided to 36 township RCCs	CNY'000	45,974.6	51913.9	112.9	41507.2	29046.1	70.0
Domestic consultants recruited	Amount used to recruit domestic consultants	CNY'000	1,800	362.1	20.1	379.4	0.0	0.0
Procedure tools, materials, policies undertaken	Amount provided to support procedures	CNY'000	857.1	411.2	48.0	577.6	40.0	6.9
<b>Module 13: Village development fund</b>								
Poor village infrastructure improved through VDF investments	Number of poor villages with established VDF	Number	145	117	80.7	27	5	18.5

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## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

**Table 5A: Financial performance by financier (as per 31/07/2013)**

Financiers	Approval (USD'000)	Disbursements (USD'000)	Percent disbursed	Implemented (USD'0)	Percent implemented
IFAD loan	30,616	23,089	75.4%	27,037	88.3%
Government	38,034	32,132	84.5%	32,132	84.5%
Beneficiary	4,992	4,563	91.4%	4,563	91.4%
Total	73,642	59,784	81.2%	63,732	86.5%

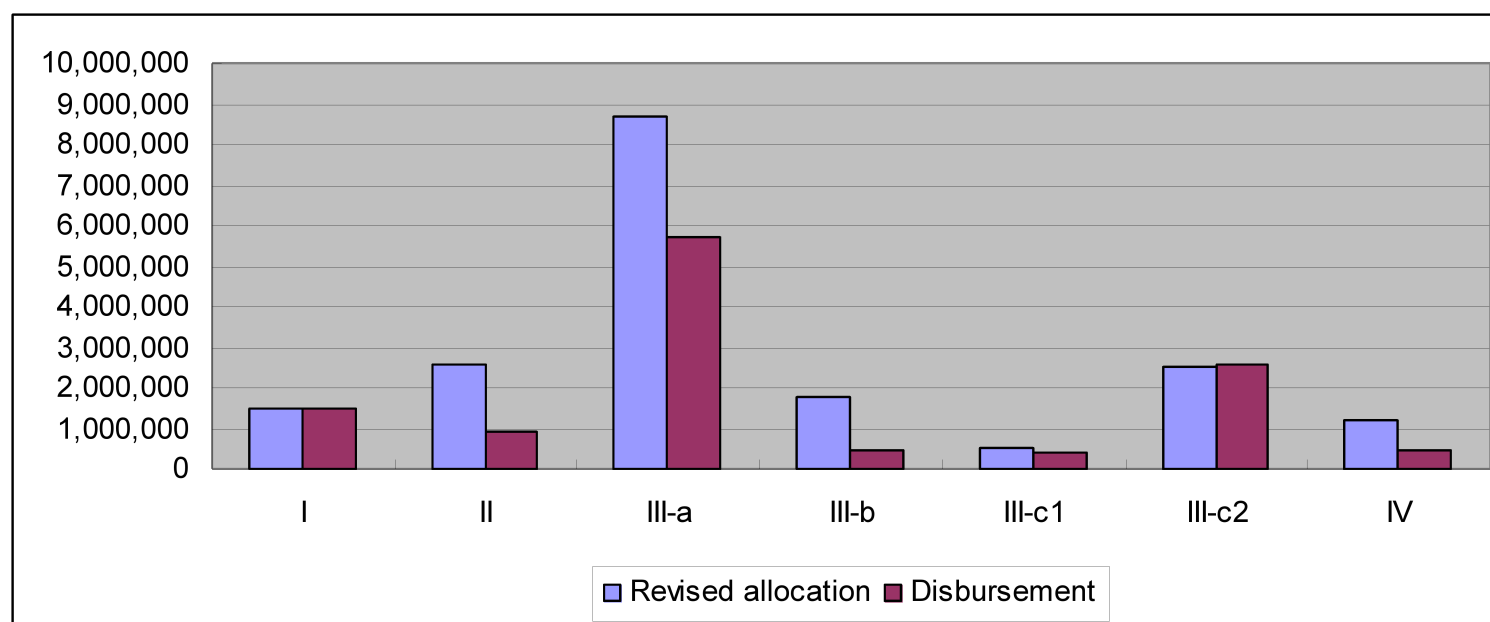
**Table 5B: Financial performance by financier by component (USD '000), by 30 June 2013**

	IFAD Loan			Government			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1. Technical envoy	845	749.9	88.8%	1215.7	1079.1	88.8%				2061	1828.9	88.8
2. Permanent greenhouse	5349	5506.4	102.9%	5262.2	5502.3	104.6%	2435.8	2421.5	99.4%	13047	13430.1	102.9
3. Semi-permanent greenhouse	2167	2119.2	97.8%	2231.3	2187.5	98.0%	887.7	862.0	97.1%	5286	5168.8	97.8
4. Potato net-shed	3059	2456.3	80.3%	3050.7	2523.2	82.7%	1351.8	1011.5	74.8%	7462	5991.1	80.3
5. Strengthening of VLSS	1269	1095.5	86.3%	1826.8	1576.4	86.3%				3096	2671.9	86.3
6. Marketing association support	2009	1428.7	71.1%	2891.3	2056.0	71.1%				4900	3484.7	71.1
7. Agro product safety & certific.	576	363.9	63.2%	828.2	523.6	63.2%				1404	887.5	63.2
9. Women's group micro-credit	1817	1228.5	67.6%	2615.1	1767.7	67.6%				4432	2996.2	67.6
10. Women Association support	417	228.6	54.9%	599.7	329.0	54.9%				1016	557.6	54.9
11. RCC operating efficiency	5018	5055.9	100.7%	6401.8	6312.6	98.6%				11420	11368.6	99.5
13. Village development fund	1299	1099.7	84.7%	1552.3	1314.3	84.7%	316.8	268.2	84.7%	3168	2682.2	84.7
Programme management	6789	5704.3	84.0%	9558.7	6960.2	72.8%				16348	12664.5	77.5
<b>Grand Total</b>	30616	27037	88.3%	38033.8	32132.0	84.5%	4992	4563	91.4%	73642	63732	86.5

**Table 5C: IFAD loan disbursements (SDR, as at 10/08/2013)**

Category	Category description	Original allocation	Revised allocation	Disbursement	Percent disbursed	Balance
I	Vehicles, Equipment	1,500,000	1,500,000	1,474,025.40	98.27	25,974.60
II	Training, Workshops Studies,	2,600,000	2,600,000	893,681.00	34.37	1,706,319.00
III-a	Production and market access	8,700,000	8,700,000	5,691,279.05	65.42	3,008,720.95
III-b	Strategic support to women	1,800,000	1,800,000	484,306.25	26.91	1,315,693.75
III-c1	Rural financial services- RCC equipment	500,000	500,000	424,599.12	84.92	75,400.88
III-c2	Rural financial services- RCC other expenses	2,500,000	2,500,000	2,572,649.90	102.91	-72,649.90
IV	Village Development Fund	1,200,000	1,200,000	437,936.83	36.49	762,063.17
V	Unallocated	300,000	300,000	0.00	0.00	300,000.00
	Initial deposit			3,167,364.63		-3,167,364.63
	Total	19,100,000	19,100,000	15,145,842.18	79.30	3,954,157.82

**Figure 1: IFAD loan disbursement, comparisons between revised allocation and actual disbursement**





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## Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenants	Compliance Status
2.03	(a) The borrower, through the IMAR DOF, shall open and thereafter maintain in a commercial bank accepted by the Fund, an account denominated in US dollars for the purpose of financing the Programme ("Special Account"). The special account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.	Complied
2.04	The Borrower and each Programme Party shall use the proceeds of the Loan exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions.	Complied
3.02	(a) The RPMO shall prepare a consolidated draft AWPB for each Program Year based on the draft AWPB prepared by the Prefecture and each County PMO. Each CPMO shall be responsible for consolidating the Village Implementation Plans into county AWPB which, shall be submitted to each county PLG for approval.	Complied
	(b) Before each Program Year, each RPMO shall submit a draft AWPB to the Regional PLG for its review and approval. When so approved the Regional PLG through the RPMO shall submit the draft AWPB to the Fund, for comments, no later than 60 days before the beginning of the relevant Programme Year.	Complied
	(c) The RPMO shall adopt the AWPB, and shall provide copies thereof to the Fund prior to the commencement of the relevant Programme Year.	Complied
3.03	DOF and each BOF shall open and thereafter maintain in a commercial bank acceptable to the Fund, an account denominated in CNY for programme operation (the "programme Accounts"). The programme Account shall be funded and replenished from time to time upon request of the PMOs from resources of the Special Account in accordance with the AWPB.	Complied
3.04	(a) The Borrower through the Region and Prefecture shall make the proceeds of the Loan available to the County Government in accordance with the customary national procedures for development assistance on on-lending, the Lead Subsidiary Agreement and AWPB to carry out the Programme.	Complied
	(b) In addition to the proceeds of the Loan, the Borrower shall make available to all Programme Parties, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme.	Complied
4.01	As soon as practicable but in no event later than three months after the effective date, the Borrower shall cause the Regional, Prefecture and County PMOs to establish and thereafter maintain an appropriate information management system in accordance with the Fund's "Guidelines for Project Monitoring and Evaluation", etc.	Complied
4.02	The Borrower shall cause the Regional PMO to submit to the Fund, semi-annually and annually, progress reports on Programme Implementation as required by Section 8.03 no later than 10 weeks after the end of each such reporting period during the Programme Implementation Period.	Complied
4.03	The Borrower and the Fund shall jointly carry out a review of Program Implementation (the "Mid-Term Review") based on terms of reference jointly prepared by the Borrower and the Fund.	Complied

5.01	The Borrower shall cause the DOF and each BOF to maintain separate accounts required by Section 9.01 (Financial Records) of the General Conditions. The Regional PMO shall deliver the consolidated financial statements to the Fund within three months of the end of each Fiscal Year.	Complied
5.02	(a) Within 60 days of the Effective Date, the Borrower shall appoint, with the prior approval of the Fund, independent auditors selected in accordance with the procedures and criteria set forth in the Fund's "Guidelines on Project Audits (Borrower's use)" as may be amended from time to time, to audit the financial statements relating to the Programme for the first Fiscal Year. Thereafter, as soon as practicable but in no event later than ninety (90) days after the beginning of each succeeding Fiscal Year, the borrower, with the prior approval of the Fund, shall confirm such auditors appointment or so appoint new independent auditors for such fiscal year.	Complied
	(b) The Borrower shall cause the Regional PMO to have the consolidated financial statements relating to the Programme audited each Fiscal Year by such auditors in accordance with the International Standards on Auditing, and the Fund's "Guidelines on Project Audits (Borrowers' use)" 2003, as may be amended from time to time, until the Loan Closing Date in accordance with Section 9.03 of the General Conditions, in addition to the audit report on the financial statements, the auditors shall provide: (i) a separate opinion on the certified statements of expenditure and the operation of the Special Account including the reconciliation of the Special Account; and (ii) a separate management letter, addressing the adequacy of the accounting and internal control systems. The Borrower shall cause the Regional PMO to deliver the above-mentioned items to the Fund within six (6) months after the end of such Fiscal Year. The Borrower shall cause the Region PMO to submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.	Complied
Schedule 3 Part A	A Village Implementation Group (VIG) shall be established by the villages in each of the selected administrative village of the programme area.	Complied
Schedule 3 Part B	DOAL on behalf of the LPA, shall prepare a draft Programme Implementation Manual.	Complied
Schedule 3 Part C	The County BOF and County PMO, shall enter into an agreement with the County WF to carry out the Strategic Support to Women Component.	Complied
	Each BOF and PMO in each of the participating counties shall enter into a RCCU Subsidiary Loan Agreement with each county RCCU to carry out the Rural Financial Services Component C.	Complied
Schedule 4 Part E	The award of any contract for goods estimated to cost USD 50 000 equivalent or more shall subject to prior review by the Fund. The aforementioned threshold may be modified from time to time as notified by the Fund to the Borrower.	Complied
	The award of any contract for works estimated to cost USD 50 000 equivalent or more shall subject to prior review by the Fund. The aforementioned threshold may be modified from time to time as notified by the Fund to the Borrower.	Complied
	The award of any contract for consulting services referred to paragraph 5 above estimated to cost USD 20 000 equivalent or more shall subject to prior review by IFAD. The aforementioned threshold may be modified from time to time as notified by the Fund to the Borrower.	Complied

## Appendix 7: Knowledge management: Learning and Innovation

### Learning

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Disbursement of the loan funds has been greatly expedited as a result of improved efficiency of financial management, leading to accelerated implementation of the program;

Close cooperation between the IAs and farmer associations/cooperatives in implementation of the agro-product safety and certification module yielded good results in some counties.

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### Innovation: Describe any interesting innovation noted during supervision

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The close cooperation between IAs and farmer cooperatives/enterprises in implementation of the agro-product safety and certification module in some counties, such as Liangcheng and Chayouzhong visited, could be an example in enhancing the effectiveness of the module.

Huade PMO developed a computer software to improve and systematise the program M&E. It may contribute to improving the targeting of program implementation through accurate monitoring of households and beneficiaries participating in each of the program activities. The system has shown a potential of extending to other IFAD-funded projects.

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