

China

Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Supervision Report

Mission Dates: 19-30 October 2020

Document Date: 08/12/2020

Project No. 2000001184

Report No. 5567-CN

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

AWPB	Annual Workplan and Budget
BP	Business Plan
BEC	Business Plan Evaluation Committee
BOF	Bureau of Finance
CPMO	County Project Management Office
CNY	Chinese Yuan
CQS	Selection based on Consultant Qualification
DOF	Department of Finance
EOI	Express of Interest
FM	Financial Management
ICO	In-Country Office of IFAD
IFI	International Financial Institution
IFR	Interim Financial Report
ICP	IFAD Client Portal
KM	Knowledge Management
ME	Monitoring and Evaluation
MIS	Management Information System
NOTUS	No Objection Tracking System (IFAD)
PIM	Project Implementation Manual
PMO	Project Management Office
PPMO	Provincial Project Management Office
PPP	Public Private Partnerships
PPPP	Public-Private-Producer Partnership
PPT	Power Point
PDRC	Provincial Development and Reform Commission
PLG	Project Leading Group
PM	Project Management
SPRAD-SS	Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi
SIS	Supervision and Implementation Support
VC	Value Chain
WA	Withdrawal Application
WF	Women Federation

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	China	Environmental and Social Category:	B
Project Name:	Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi	Climate Risk Classification:	2
Project ID:	2000001184	Executing Institution:	Shaanxi Provincial Development Reform Commission
Project Type:	Credit and Financial Services	Implementing Institutions:	not available yet
CPM:	Matteo Marchisio		
Project Director:	Mr. ZHANG Baiming		
Project Area:	Zhenba, Nanzheng, Xixiang, and Mianxian counties in Hanzhong Prefecture; Hanyin, Hanbin, and Zhenping counties in Ankang Prefecture, and Danfeng, and Shanyang counties in Shangluo Prefecture		

Approval Date:	17/04/2018	Last audit receipt:	30/06/2020
Signing Date:	07/05/2018	Date of Last SIS Mission:	30/10/2020
Entry into Force Date:	07/05/2018	Number of SIS Missions:	5
Available for Disbursement Date:	18/12/2018	Number of extensions:	0
First Disbursement Date:	20/12/2018	Effectiveness lag:	1 month
MTR Date:	not available yet		
Original Completion Date:	30/06/2023		
Current Completion Date:	30/06/2023		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$72,000,000
Domestic Financing breakdown	Beneficiaries	\$3,300,000
	Private sector local	\$101,900,000
	National Government	\$79,500,000
Co-financing breakdown,		
Project total financing:		\$256,700,000

Current Mission

Mission Dates:	19-30 October 2020
Days in the field:	8 days
Mission composition:	Ms. Xiaomei Wang, Financial Management Specialist; Mr. Wang Liwei, Procurement Specialist; Mr. Gou Tianlai, Pro-Poor Value Chain Development Specialist; Ms. Wang Libin, Gender Specialist; Ms. Li Yingchun, Climate Adaptive Agriculture Specialist; Ms. Shi yinyin, Program Assistant and M&E Specialist, and; Mr. Sun Yinhong, Country Program Officer and Mission Leader. Mr. Zhao Xingfeng, Program Officer the IFAD supported SSADeP project joined the field visit of mission on 21-27 October to exchange experience gained in 4P project.
Field sites visited:	Nanzheng and Zhengba of Ankang Prefecture, Zhenping and Hanbin of Ankang Prefecture

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4.21	Assessment of the Overall Implementation Performance		4.25

Effectiveness and Developmental Focus		4	Project Management		4
Effectiveness		4	Quality of Project Management		4
Targeting and Outreach		5	Knowledge Management		4
Gender equality & women's participation		4	Value for Money		4
Agricultural Productivity		N/A	Coherence between AWPB and Implementation		4
Nutrition		N/A	Performance of M&E System		4
Adaptation to Climate Change		4	Social, Environment, and Climate Standards requirements		4

Sustainability and Scaling-up		4	Financial Management and Execution		5
Institutions and Policy Engagement		4	Acceptable Disbursement Rate		3
Partnership-building		4	Quality of Financial Management		5
Human and Social Capital and Empowerment		4	Quality and Timeliness of Audit		5
Quality of Project Target Group Engagement and Feedback		4	Counterparts Funds		5
Responsiveness of Service Providers		4	Compliance with Loan Covenants		5
Environment and Natural Resource Management		5	Procurement		4
Exit Strategy		4			
Potential for Scaling-up		4			

Relevance		5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

An IFAD Supervision and Implementation Support (SIS) Mission^[1] to the Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi (SPRAD-SS) project took place from 19 to 30 October 2020. The purpose of this 3rd SIS mission before the mid-term were to assess the project progress and more importantly the performance of the Public-Private-Producer Partnership (4P) approach based on Business Plan (BP) in the realisation of overall project strategy and objectives. Special focuses were given to: a) review the vigor and continued adaptability of BP approach in achieving the project objective; b) explore integration of essential project interventions in two components to enhance effectiveness; c) boost performance of PMOs and functioning of project MIS, and preparation for mid-term survey, and; d) follow up to the agreed actions suggested by previous missions.

Other than meetings and discussions in capital city XiAn, the mission visited four out of the nine counties in eight days in the field, namely Zhenping and Hanbin in Ankang Prefecture, Zhengba and Nanzheng in Hanzhong Prefecture. The mission met and had exchange with the PMO representatives from the rest five counties in XiAn on the first day. During the field visits the mission had extensive interactions with key stakeholders including CPMOs, BOFs, agro-entities and farmer beneficiaries. The mission was joined on the field visits by the key staff of the Provincial PMO (PPMO) including the Project Director, Department of Finance (DOF) and national consultants on thematic subjects.

The conclusions and suggestions were discussed and agreed with relevant departments of Shaanxi provincial government during a wrap-up meeting chaired by Mr Zhang Baiming, Director of the Provincial Project Management Office (PPMO), on 30 October 2020 in XiAn.

The Mission would like to thank the relevant staff of the counterpart agencies for their hospitality and support during the mission, and to various parties and individuals consulted during the mission for the frank and constructive discussions. The mission appreciate the consistent commitment of the key stakeholders to the project objectives, maintained at the provincial level and in majority of the counties.

[1] The mission was composed of: Ms. Xiaomei Wang, Financial Management Specialist; Mr. Wang Liwei, Procurement Specialist; Mr. Gou Tianlai, Pro-Poor Value Chain Development Specialist; Ms. Wang Libin, Gender Specialist; Ms. Li Yingchun, Climate Adaptive Agriculture Specialist; Ms. Shi yinyin, Program Assistant and M&E Specialist, and; Mr. Sun Yinhong, Country Program Officer and Mission Leader. Mr. Zhao Xingfeng, Program Officer the IFAD supported SSADeP project joined the field visit of mission on 21-27 October to exchange experience gained in 4P project. The mission partly overlapped with the media visit from 20 to 24 October the by Phoenix TV and Farmer's Daily facilitated by Ms. Cathy Cao of IFAD China ICO.

Key Mission Agreements and Conclusions

The project continues to progress steadily as it entered a third year of implementation. BP implementation and infrastructure development are driving the deliverables of the project. By the time of the mission, the project Management Information System (MIS) has recorded a total approval of 144 BPs out of the 251 BPs submitted, bringing an additional 94 BP approvals during the last 12 months. A total commitment of CNY 561 million, or IFAD loan amount of CNY 248.8 million were made through these approved BPs, accounting for 58.7% of the IFAD financing earmarked for BPs^[2]. A total number of 30,190 households, mostly poor and vulnerable ones, are estimated to benefit from these BPs. Roughly, around 70% of the households linked with the BPs will benefit through contract farming or labour employment^[3], which are the preferred options of the project in enabling farmers to generate income through skill and capacity development. The level of their income increase is promising from such partnership.

Infrastructure construction under government financing has mostly been delivered in terms of financial progress in the project counties. In a few cases, these infrastructures are not closely associated with the BPs or the related target groups. (e.g. high standard farmland in Mianxian). However, all counties are yet to record their physical and outreach information from component B in the project MIS.

The project MIS has recorded an actual expenditure progress of 20.4% of the initial loan financing target, or 11.2% of IFAD loan amount if initial deposit is excluded. The gap between accounted financial progress and field commitment is mainly due to the delays in acceptance check of infrastructure works and BP investment activities and booking of expenditures. The fresh start of project in two counties and uneven performance among the other seven counties also dragged the overall progress of the project.

Performance among counties however has been uneven, three counties are low performing and narrowly focusing on solo sub-sector and less preferred benefiting mechanism of dividend payment in two counties. The project management has been suggested to introduce incentive and performance based loan allocation practice and propose reallocation among the counties at MTR tentatively proposed in April 2021. This would be helpful to enhance the performance and effectiveness of the project, while further testing and consolidating the BP model for eventual replication and scaling up.

Project management has been strong at provincial level as well as in counties. Coordination at the provincial level and

vertically with the counties has been rather smooth and efficient. Technical support by specialists and service providers acquired by PPMO is a commendable practice that has the potential to substantially internalize and excel the project strategy and BP approach, which is worthy replicable by other IFAD projects in China. Project management also employed robust systems and instruments to support is functioning.

PPMO is encouraged to proactively drive the implementation of the BP by adopting further flexibilities, adaptations and fine tuning in the future implementation. Project M&E and knowledge management can be given further emphasis as project soon enters the second half of its life. Clear strategy or plan for learning and dissemination or even policy influence needs to be developed in advance.

Additional elements can be explored for the BP approach, such as rural financial services, gender and youth promotion and new patterns/opportunities of households development and income generation through industry integration and off-farm or post-production BPs. The PMOs are encouraged to advance its management in the improvement of the BP approach.

[2] Considering the CNY/USD x-rate of 6.64 at design and actual rate of around 6.9 during implementation, this percentage could be around 56.5% to be more precisely.

[3] According to the survey to selected BPs made by the project M&E service provider in 2020, 52.3% of the associated HHs benefiting through contract farming, 18.2% through labour employment, 5.8% through land rent and 23.7% through dividend payment. There could be HHs benefiting from more than one options, but only the main option is counted.

D. Overview and Project Progress

SPRAD has three major components with a number of sub-components, namely:

- Component A: Pro-Poor Value Chains and Agribusiness Development. The component comprises three sub-components: 1.1: *Development of pro-poor BPs*; 1.2: *Value Chain Development Fund*; 1.3: *Value Chain Rural Finance development*.
- Component B: Public Infrastructure and Services. The component comprises two sub-components: 2.1: *Climate smart Infrastructure Development*; 2.2: *Public Services and Regulations for Pro-poor Agribusiness Development*.
- Component C: Project management.

Component A: Pro-Poor Value Chains and Agribusiness Development *This component is performing moderately satisfactory.* This component aims at promoting the sustainable inclusion of target poor households in profitable value chains by engaging with agribusiness entities (enterprises or cooperatives) on a fair and mutually beneficial partnership conducive to sustainable income generation of smallholder households.

Sub-component 1.1 Development of pro-poor BPs: *This component is performing moderately satisfactory.* After two years of familiarization and testing of the prescribed procedures for BP development, the counties are getting confidence in applying the BP approach and having deepened their understanding of the strategy and the values pursued by the BP approach. Even the two new counties were able to strictly follow the procedures and requirements outlined in the revised PIM, though they find the prescribed procedures cumbersome and have yet to fully comprehend the rationale behind.

So far all project counties have started the implementation of BP approach in full scale. By the time of the mission, the project has received 343 letters of Express of Interest (EOI), after initial screening 267 business entities have entered the business plan preparation process. 251 BP have been submitted to the project offices of the counties, of which 144 BP have been evaluated and filed according to the data generated by the project MIS. The total investment in 144 BP is CNY 560.6 million, and applications for IFAD loans amounting to CNY 248.9 million ((around USD 35.2 million) or 59% of the allocation for BPs). The BPs are able to benefit 30,190 poor beneficiary households. Among them, 20 BPs have been fully implemented and passed acceptance, and a total investment of CNY 175.7 million and IFAD loan of CNY 76 million were made. Project supported BPs have so far benefited a total of 14,527 poor households.

Among the nine counties, slower implementation progresses were noted in Danfeng, Mianxian, Shanyang, Hanbin, Zhenping due to the reasons of: 1) difficulties in identifying suitable business proposals due to a less diversified product and industry structure in local area such as Mianxian and Danfeng, and; 2) certain counties have completed work but under inspection and acceptance procedures therefore the progress hasn't been recognised in the financial reporting, e.g. Shanyang county having 6 BP completed but under acceptance procedure.

Zhenping has already technically reviewed and selected 38 BPs following the defined process, which are pending for county leadership approval. The county promised that such approval will soon be processed by early November 2020.

Overall the sub-component continues to progress well, both in terms of its pace and overall quality in realizing the project strategy through implementation of the BP approach, though uneven among counties. Overall the BP approach has proven to be viable and the presently prescribed procedures, requirements and rules can continue to apply without need of major adjustment. Additional elements can be considered to promote diversification of agro-business patterns or

income generating opportunities, making it more suitable to post-2020 transition from poverty reduction to rural revitalization.

BP development process. Generally speaking, most project counties have been adequately following the processes of BP development as prescribed in the PIM.

Value chain mapping exercise was done in the counties to identify priority sub-sectors to be supported by the project, taking into consideration of its alignment with country agricultural industry development strategy and outreach potential to smallholder households. VC mapping was mostly done in the form of meetings involving various government agencies, representatives of agribusiness entities, banks and relevant specialists in the counties. Record for such mapping was maintained. It is to be understood that such exercise of planning and prioritization is not totally new to the counties. In the process of government's program for poverty eradication by 2020, all counties have drawn some type of plan in terms of their sector prioritization and development, in different format though.

Inadequacy in project process of value chain mapping remains with the full participation of value chain players and their joint undertaking of SWOT (strength, weakness, opportunity and threats) analysis of the VC. Such process would be helpful to explore various needs, support instruments (e.g. cooperative support, technical training, trade promotion, branding, marketing) and funding sources. This include, among others, outlining key challenges and opportunities for the VC development, additional activities required to strengthen the capacity (e.g. marketing) of actors within the chain. The mappings made so far are a simplified version and largely dominated by county government agencies from more strategic and sub-sector development planning point of view, considered sub-sector viability and profitability, but have not adequately solicit inputs from all players in the VC, especially the beneficiary groups.

Nevertheless, the mission understands that an immediate and total compliance to the project requirements is much of an ideal, the project itself is a process of influencing the officials and staff of county governments and departments. Looking at the outputs of VC mapping exercises of the counties, the BPs submitted so far demonstrate a satisfactory coverage to the key sub-sectors most relevant to smallholders and can ensure project outreach and support to them. Only in three counties (Danfeng, Shanyang and Mianxian), there were strong signals that the VC mapping was very much manipulated by local government, ending up the choice of solo sub-sector and limited entities.

BP preparation was done by the initiating entities themselves. It was reported that each county have provided guidance to BP entities on the format and basic requirement of BP preparation. Value chain specialist was also recruited by each CPMO to support the BP preparation and eventual implementation. The quality of business plan preparation has gradually improved after the last round of inspection missions by IFAD and the PPMOs.

BP quality is the most important starting point for the effectiveness of the project and can hardly be overemphasized. The PPMO also voiced their emphasis in this and have recruited a consulting team to support the BP implementation process, from analysing local value chains to assess BP quality and implementation results. Such services are very timely and critical to ensure the success of the project. The mission encourages both PPMOs and CPMOs to continue their emphasis on BP quality.

BP approval. Field observations confirmed that the BP Evaluation Committee (BECs) at county level have sufficient capacity to review and approve the BPs. The approval of BP rate was at 57.37%, indicating a high level of competitiveness. The mission also noted differences in the professional competence of the reviewers in different counties. As such, it is recommended that (i) capacity building of the county's review team experts should continue to be increased; and (ii) if possible, experts from the industry should be invited to participate in the review and provide guidance.

The implementation of the BPs in the two new counties is suggested to be maintained in a paced manner, allowing learning from practice. Through the field observation of the mission, there is doubt by mission on relevance of some of the BPs to the project strategy. Most if not all these BPs are for leading agro-entities, the benefit generated from the BP is sometimes rather hard to be directly associated with smallholders that the project intends to support directly. The two counties should consider some space for adjustment of BP implementation that can facilitate farmers' capacity development and collective action. This will ensure that they can generate income in a way less dependent on one single agro-entity and in a more sustainable way.

Some counties still find the process lengthy and cumbersome to their standards, mainly because they did not fully capture the value and considerations behind these processes. Value chain development based on technical analysis, adequate consultative process, farmer participation and transparency will ascertain the soundness and sustainability of the 4P. The PPMO and its technical team will continue to influence and convince the CPMOs to stick to the PIM in BP implementation. It will be ideal if SPRAD can eventually come up with an adapted BP model with much of its own contribution derived from their learning and thinking adapted to the local context.

Sub-component 1.2: Value Chain Development Fund. *This component is performing moderately satisfactory.* The progress made in supporting BPs is overall in line with the phasing of the project duration. With 59% of the IFAD loan funds for BP already committed in 144 BPs in eight counties, plus a further 38 BPs from Zhenping soon, this sub-component is progressing ahead of the project timeline.

BP implementation principals, benefiting mechanisms and financing rules etc. have been further stabilised after

adjustments. Preference for diversified choice of value chain activities and sub-sectors is well understood by all counties, though due to various causes three counties are somewhat lagging in catching up with this understanding and translate the same in their action. Standardized implementation agreements were signed between CPMO and BP recipients. BP completion acceptance checks and evaluation has also been improved and stipulated in the PIM. Disbursement arrangement for BPs are commonly understood by the CPMOs and to most BP recipients, there is not major hiccups with BP disbursement. Financial management capacity building to agro-entities has also been mobilized by the PPMO and this will add additional value brought by the project to the involved agro-entities, especially farmer cooperatives who usually do not have adequate financial management practices. There are no major issues with regard to the implementation of the BPs.

Nevertheless, the BP model can be given more flexibility and possibility to achieve intended results in an evolving and dynamic rural context, since model is a major instrument to promote inclusion of vulnerable households in profitable value chains by partnering with agribusiness entities (enterprises or cooperatives) in a fair and mutually beneficial relation conducive to sustainable income generation of smallholder households. It is comforting to the mission that the PPMO and its technical teams are fully on board in analysing the BP model and providing their wisdom and learning into the adaptation and improvement of the flagship innovation and instrument of this project.

The following areas are some of emerging aspects to be explored and considered in further adapting the BP model:

- Diversification of income generating opportunity choices through BP. While the BP model and its financial rules were made based on typical production based value chains, it is open to other opportunities of using rural based resources that can actively enable smallholders to sustainably generate income in the project counties. Cases of such include marketing of agro-products, industry integration model that generate additional value from post production processes and/or non-production sources for smallholders etc.. While the BP financing rule can not pre-empt specifics and be modified for now, the PPMO and IFAD will be open to make new rules for such types of BPs. Overall, the project can finance public goods and jointly finance semi-public goods while the private sector will finance private goods. Project investment intensity per BP will be observed below a ceiling to be decided at a level not higher than the average of the production related BPs of the county as a principle. PPMO will develop broad guidelines for such type of BPs and send to CPMOs for them to explore such proposals, either through open call or targeted invitation. BP development and approval procedures will follow the PIM. Financing rules will observe the general rule that project loan funds not to be more than 50% of the BP, and prior review by PPMO and/or IFAD will be applied. It could be helpful that initial proposal is shared with PPMO (and its technical team) for comments before finalization.
- Benefiting mechanism of BPs: Project will continue to give preference to BPs pertaining contract farming and labour employment. Such labour employment should be incremental and triggered by the project investment, not merely based on corporate social responsibility. Collective ownership of project support by village collective economy cooperatives may be explored. The PMOs are encouraged to explore such type of BPs to propose them separately for review and decision jointly with IFAD, before or at the MTR.
- Differentiating BP support: Cooperatives will be given priority and additional resources for capacity building of cooperatives and post production investment can be provided. Financial management and business capacity improvement was found critical for cooperatives to operate more viably, so can be part of the BP activity. Especially if cooperatives can expand and enrol additional smallholder members and invest to improve its governance and business capacity. In fact some of the BPs currently proposed could have been better initiated by cooperatives instead of enterprises. PPMO and its technical team is encouraged to look into this and make proposals for special support to cooperatives. The BP financial rule will apply, except that it will be linked to smallholder member not necessarily poverty member. However, the participation of poor member in the cooperatives shall be 20% as minimum.
- BP effectiveness: It is helpful that PPMO has recruited a technical team to follow up with each counties to assess the effectiveness of the BPs. Some economic and financial aspects of the BP assessment is suggested to be included, both at enterprise and HH level. Such economic and financial analysis will also be undertaken by the IFAD MTR mission, therefore it is important that basic economic information is maintained by the agro-entities.
- Target groups: After 2020, all counties would have moved out of absolute poverty. The targeting of the BPs can be further expanded to reach out to smallholders in general, while still giving priorities to those ever registered as poverty households. Presently the BP rules prescribe that a minimum of 60% of beneficiaries should be poverty households. The mission wish to suggest that for BPs in the nature of contracting farming or labor employment, such percentage can be further lowered to 40% (or even lower if the PPMO can analyse and propose). For BPs of labour employment, such employment opportunities should be incremental and triggered by the project investment, instead of pure reflection of corporate social responsibilities.
- Marketing support for contract farming BP: Agro entities are encouraged to take advantage of the flexibility introduced in support marketing aspect of their BPs. The category 5 activities in the BP financing rule on marketing support can be increased but only applicable to those BPs entailing contract farming. The total investment in such BPs will be observed in line with the average of other BPs in the county.
- Introducing new financing category in BP: the current categorization of the BP financing rules may not suit all production related value chains. It is recommended to add a category 6 of other investment activities. This however should not share more than 10% of the total BP amount when IFAD financing is expected, and such financing most likely is not related to household on-farm investment. It should be public or semi-public goods that

are essential for the BP success. However, investment such as working capital and land rent will not be financed by IFAD loan. This category 6 financing could also be pure self-financing from agro-entities in the BPs, in such cases there shall be no limitation on the amount under this category. Given the complexity of BP investment, it would be advisable that investment activities in such categories are consulted with PPMO, and IFAD if needed, before their approval and when IFAD loan resources are to be used.

- PPMO may also wish to introduce incentives for best performing BPs or recognition/award of best Corporate Social Responsibility (CSR) performers in the BPs. Such proposals may be developed for consensus by IFAD before implementation.

Sub-component 1.3: Value Chain Rural Finance Development: *This component is performing moderately unsatisfactory.* The sub-component supports financial literacy of target groups and financial management capacity of project related agribusiness entities for improved performance and possible leveraging of financing from banks in addition to project support.

The subcomponent has not been substantially initiated and the PPMO is yet to make master planning to develop pertinent activities to support the BP implementation. Specialists and consulting firms were recruited to provide initial analysis on BP implementation, on insurance and even credit demands and possible options. Information collected from field visit suggested that credit demand for most BP entities are there and difficulty of access to commercial loans does exist. Insurance to agro-production such as pig production and team production has been practiced under government program.

The project may not initially aim high in this component and start with relative low hanging fruits. Financial literacy training to BP entities could be a meaningful way of building their awareness and capacity, a more sophisticated level of training to key financial service providers in the counties can also be planned in partnership with appropriate institutions. In terms of insurance, the project does have allocation for premium subsidy and the mission agreed with PPMO that insurance subsidy by loan can be opted by the counties. Preference can be given to partnering with selected insurers to try insurance products to households and entities involved in the approved BPs, as part of the investment cost in BP. Alternatively it can also be through a specially developed proposal for selected crop/product in selected counties for smallholders with priorities to ever registered poor households. Loan funds can be used to acquire services for developing insurance proposals. Project would consider subsidizing insurance premiums in terms of new insurance products developed for these recipients, insurance subsidy graduation program to rural households, or top-up to extra risks of production such as pig production etc..

PPMO planned activities may also include mapping out possible interested actors within the financial sector, facilitate dialogue and consultations between banks and such entities. In addition specific training modules for cooperatives may also be developed as part of the capacity development for this group.

Component 2: Public Infrastructure and Services. *The performance of this component is moderately satisfactory.* This component aims at improving the access of target groups to public goods and services such as common/village infrastructure, climate change adaptation/mitigation best practices, normative and regulatory services associated with food safety, in order to promote sustainable, climate resilient and food safe agricultural production.

Sub-component 2.1 Climate smart Infrastructure Development. *This component is performing moderately satisfactory.* This sub-component is implemented with government resources in line with government programs aligned with SPRAD implementation, mainly to address the gaps of the village level public infrastructure systems to support the proposed agribusiness development. Five counties have fully delivered the promised infrastructures. Mianxian and Danfeng have respectively delivered about 44% and 88% of commitment budget. The two new counties (Zhenping and Hanbin) have started but yet to record their financial progress in the project accounting system.

Most of the infrastructures are relevant to the BPs, such as road, irrigation and land improvement related civil works. In several counties, drinking water improvement was also investment to improve the livelihood of villages and households. In Mianxian however, while the only BP so far is for fruit production, the infrastructure works were related to high standard farmland improvement, somewhat disconnect with the BPs supported.

In any case, these activities have not been adequately recorded and captured in the project MIS in their physical achievements and number of beneficiaries served, though the PMOs have followed up previous mission recommendation by partially recorded the financial progress in the accounting system. The mission again suggests the soonest record and update of such information in the project M&E and accounting systems. Meanwhile, given the demand-based approach of sub-sector choice and BP implementation, the mission continue to highlight the importance for better alignment of such infrastructure activities with the value chain development and BP implementation in the counties, in terms of location, timing and the type of infrastructures.

Though it is not IFAD loan financed activities, as part of the project investment these infrastructure will need to be well maintained to ensure their sustainability. The mission suggest that proper O&M arrangements for project related infrastructures with participation of their users are promoted.

Sub-component 2.2 Public Services and Regulations for Pro-poor Agribusiness Development *This component is*

performing moderately satisfactory. This sub-component shall be implemented under the overall coordination of the Provincial PMO. No concrete plan has been drawn to implement this sub-component, other than the traceability system for processed meat in Zhengba County. The CPMOs are encouraged to be proactive and flexible in identifying and supporting the desired public services conducive for the development of pro-poor value chain and agribusinesses. Given the limitation in the capacity of the CPMOs, the PPMO is encouraged to take lead in making master planning and coordination the implementation of such services under this component, for counties collectively or separately.

Component C: Project Management. Project management activities have been duly conducted at provincial and county levels, mainly supporting the implementation of the BP approach of the project. At provincial level, the activities conducted relating to procurement of various technical and advisory services, supervisory visits and on-site support to counties, on and off-site training. At county level, management activities mainly relating to coordinating activities, operation of the CPMOs, and interactions with BP entities and communities etc.

The PMOs especially PPMO are commendable for having engaged various technical services especially those relating to BP and project M&E. It is also essential that the results and learning from these services are also adequately integrated with and feedback into the project management. Capacity development activities at county level can be further enhanced. Project budget under the component shall be adequately utilised to support project management, capacity building and knowledge management.

Agreed Action	Responsibility	Agreed Date
Propose Loan Reallocation Among Counties Consult with provincial departments to propose loan reallocation at MTR from three low performing counties to better performing counties. Meanwhile, slowdown new BP approval in the three counties.	PMO	12/2020
Development plan for public services Development plan for public services for sustainable agriculture, food safety and other innovative features, for implementation after consultation with IFAD	PPMO	03/2021
Rural finance capacity building and insurance rollout Make proposal for rural finance capacity building and for insurance rollout (in selected counties)	PPMO	03/2021
Improve BP quality Continue to seek improvement in BP quality and gain learning from BP implementation with the maximised assistance from national consultant team	PPMO	
Expand the adapt BP model Expand the adapt BP model to other income generating opportunities and flexibilities suggested by mission in the AM	PPMO/CPMOs	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 4	Previous rating: 4

Justification of rating

The project progress so far demonstrated the viability of the 4P strategy and the BP approach, through which IFAD is fostering the development of more inclusive, equitable and sustainable partnership of rural households with agro-entities

alone a value chain approach. The BPs are mostly effective in mainstreaming vulnerable smallholders in gradually modernized and commercialized agriculture. 70% of the beneficiaries are able to generate income through contract farming and labour employment through the implementation of the BPs. The level of their income increase is promising. There is certainly room to improve in terms of further expanding and prioritizing project BP with benefiting mechanism of contract farming and labour employment. More BPs initiated by farmer cooperatives should be supported. BPs can be further oriented from sector development towards pro-poor value chain development, with the role of farmers as producers or workers being more prominent.

Log-Frame Analysis & Main Issues of Effectiveness

Well-captured output deliverables relating to business plan implementation demonstrate that the project is on track to achieve related outputs targets of the Component A, both in terms of outreach and volume of BPs. In terms of effectiveness of BPs, they are mostly able to generate income to targeted households and promote business development based on locally specialised produces. Mid-term survey will be able to generate outcome including but not limited to logframe indicators in the extent of benefit and parameters of business viability.

Nevertheless, yearly and cumulative results of outreach do not yet include direct beneficiaries of Component B, which is to be collected by CPMOs. Output deliverables relating to financial service and climate information services are missing due to the uncertain activities to be delivered. Though a few outcome indicators are requested to report in the third year of implementation (2020), their results would be only available through the results of mid-term survey which is planned to be conducted in early 2021.

Current log-frame does not include any IFAD Core Outcome Indicators (COI). Given the new requirements of IFAD, it is recommended to carry out a review and validation of the project Theory of Change and the log-frame prior to the mid-term COI survey. Adjustments to the project's log-frame, particularly on the outcome indicators, maybe needed at MTR. Detailed adjustments are proposed in section G of this report and are subject to the log-frame review in the process of mid-term COI survey.

Development Focus		
Targeting and Outreach	Rating: 5	Previous rating: 5

Justification of rating

Project implementation so far adequately sticks to the project targeting requirement somehow adapted by the last SIS mission, e.g. at least 60% of HHs participating in BPs belong to those earlier registered poverty households. In some counties, BPs were almost exclusively targeting the poor HHs. Geographically the project targeting follows the coverage of the approved BPs, instead of limiting itself to certain townships and villages, since BPs were collected based on call from proposals from within the whole county. According to project MIS, as of 20 October 2020 the project has so far directly benefited 74,998 people in 31,941 HHs, with 50% being women and 94.5% of these households being priority registered poverty households. This has reached 110% of the total targets of 67,912 people. Young beneficiaries accounted for 24% of the total, while ethnic minority beneficiary is negligible due to the low presence of them.

Main issues

As result of government's poverty eradication program, all project counties have declared extreme poverty eradicated (poverty incidence below 3%) by the time of the mission. Nevertheless, government support to those previously registered poor households will most likely sustain for some time to make sure no household slips back to poverty, so to consolidate the poverty eradication achievements.

Given the realisation of absolute poverty eradication by 2020, and in promoting BPs adopting value chain and contract farming approach, the targeting requirement in the BPs can be relaxed as explained in paragraphs under BP implementation.

The outreach information however has not included direct beneficiaries of public infrastructures delivered by the project component B, which will certainly contribute to the total household outreach by a big margin. The mission urged the PPMO to regularly collect data from CPMOs on beneficiaries of all project interventions aside from those in BPs.

Two new counties (Hanbin and Zhenping) replaced two previous project counties (Pingli and Langao) in Ankang Prefecture, after financial amendment was made in April 2020. Given the unchanged allocation with the loan amount, the eventual project outreach will not vary much in consideration of the BP approach.

Gender equality & women's participation	Rating: 4	Previous rating: 4
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Justification of rating

The project promotes gender equality and women's empowerment through all the three dimensions: economic

empowerment, equal voice, and balanced workloads. The project has done well in promoting women's economic empowerment. In project areas, rural women accounted for a significant number of beneficiaries in the project through contract farming, dividend payment, and income from labor inputs, especially in the local agricultural sectors which are traditionally women concentrated, such as tea, herbs, chicken, pigs, etc., this has resulted in a high participation by women. The project also provided technical training to rural women, which improved women's technical capacities. The project M & E system shows that 50% of the beneficiaries are women, 47% of people who got out of poverty are women, and 21% of BPs were also awarded to women-led enterprises or cooperatives. With improved economic status and capacities, women improved their social status and have more decision-making power within their families and local communities.

The requirements for including a certain percentage of poverty households in the beneficiaries gave poor women the opportunities to generate income. The project also invested in infrastructure improvement, such as irrigation, rural and farm roads, land improvement, drinking water facilities, etc., which reduced women's workloads to fetch water and work on the farm fields, and shortened the distance to go to the farm field and travel. The enterprises or cooperatives under the approved BPs also provided a series of on-site technical services to rural women, which also reduced women's workloads, in comparison to doing all these by themselves.

Main issues

Nevertheless, there is still room for the project to achieve higher level of equality and empowerment for rural women. Project can institutionalize its support to gender empowerment by including WF in county PLG, clearly assigning gender focal point and developing action plans to promote women empowerment. Awareness building and capacity development activities for women staff, women entrepreneurs and women beneficiaries shall be part of the actions. Targeted measures for promoting decision making by women in business entities, cooperatives and communities can also be planned and implemented. Advocacy of gender empowerment with evidence based cases and stories from the project can be regularly conducted.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Gender Action Plan Develop gender action plan for the project and implement it	PPMO/CPMOs	03/2021

Agricultural Productivity **Rating: N/A** **Previous rating: 4**

Nutrition **Rating: N/A**

Adaptation to Climate Change **Rating: 4** **Previous rating: 4**

Justification of rating

The project has adequately considered supporting necessary infrastructure and practices for climate resilient production. For example, protection facilities were applied for vegetable production in Zhenping and kiwi in Nanzheng, potato breed in Zhengpin was selected to suit local climatic condition. There is relatively good awareness of climate impact to agro-production among the project implementers. As part of the BP proposal, assessment of environmental and climatic risks are included in many BPs relating to cropping.

Main issues

Yet still, more can be exploited to incorporate specific adaptation measures by the project to mitigate potential climate impacts. For example, some activities such as tea and kiwifruit are sensitive to extreme climatic events, such as flooding, drought, tropical storms or heat waves.

Different agribusiness development may face different climate risks. While BP has included some considerations in such respect, there is more professional process and support to identify the key risks of climate change for some BP project. Farmers' awareness of climate change and consideration of climate change factors in the process can be further strengthened, through capacity building. The component B of project will need to be rolled out to catch up in this respect.

There is also potential to be explored to mitigate climate change impact. In the process of cattle breeding, manure could be disposed reasonably to reduce greenhouse gas emissions during composting. The application of organic fertilizer will contribute to greenhouse gas mitigation and improve the quality of agricultural products.

b. Sustainability and Scaling up

Institutions and Policy Engagement **Rating: 4** **Previous rating: 4**

Justification of rating

The project helps to enhance the capacities of involved government agencies in their efforts to consolidate poverty reduction efforts through pro-poor agro-industrialization, by exposing them to the nitty-gritties and pros and cons of various benefiting options in the 4P model. Training and exchange visits in relating to the project strategy and approach have been further conducted for the project offices to equip them with better knowledge on pro-poor practices. This is helpful for the counties in their post-2020 agenda to transform from precisely targeted poverty reduction to collectively rural revitalization.

The project also substantially capacitate the related agribusiness institutions and forged their linkage with farmer households, especially the vulnerable ones. The innovative 4P model and the flexibilities and adaptation made along its implementation is increasingly demonstrating its viability and replicability. Technical assistance being invested by the PPMO in supporting the BP as well as project generated information and analysis will help to consolidate such effectiveness.

Main issues

Initial indication of project influence at policy level is visible at county level, with some county leadership recognizing the value of the project approach. Better knowledge management plan deployed by PPMO will help to generate results based evidence for higher level and broader policy influence of the project outcomes.

Partnership-building	Rating: 4	Previous rating: 4
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Justification of rating

The project continues to build partnership with government projects in poverty reduction and investment of private sector to agribusiness development, including the Jiangsu-Shanxi poverty reduction cooperation project under the west-east pairing arrangement. Additional government agencies such as Women Federation are involved at the county and village level. Partnership with local insurance company continues to be explored for risk mitigation of BP production, especially relating to tea and livestock in the project area, and overall agro-production of poor households.

Main issues

The project can further reach out to have exchange with poverty office and agricultural department of the province, to enhance mutual learning and sharing.

Human and Social Capital and Empowerment	Rating: 4	Previous rating: 4
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Justification of rating

The project supports the integration of vulnerable rural households in commercialized agro-production through the building of 4P partnership, favouring a more proactive role of farmers in the relations. With majority of the farmers gaining opportunities of labor employment and contract farming, or at least through dividend payment and land rent, they have been empowered through economic additions and commercial connectivity with agro-business entities.

Main issues

The project support mostly BPs initiated by can still support more BPs initiated by farmer cooperatives, especially those can enrol additional members of smallholders.

Quality of Project Target Group Engagement and Feedback	Rating: 4
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Justification of rating

Beneficiary participation in the project is mainly realised through consultations in the BP development process, participating in capacity building and productive activities. Each BP will have to include a certain number of beneficiaries and ascertain their endorsement to the business proposal. Such list of beneficiaries are enclosed as part of the BP. A survey undertaken by the project suggest that 92% of the beneficiaries indicated their strong willingness to participate in project support BPs, while the rest does object their participation.

Main issues

The project outreach result of call of proposals, instead of predefined geographic locations. Thus it is somewhat different from traditional approach of initially soliciting beneficiary desires then plan and deliver project support. In this way, the agro-entities is take the lead in deciding the sub-sector of support, while beneficiaries are defined based on the subsector and subsequent consultation. In a way the beneficiary participation is somewhat passive.

Responsiveness of Service Providers	Rating: 4	Previous rating: 4
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Justification of rating

The government service providers involved are adequately discharging their duties and deploying project support to the project target groups. This also apply to the private sector which has also been mobilized undertake their social responsibilities in supporting the poverty reduction efforts. The concerns and demands of project beneficiaries are well responded, particularly in ascertaining their income level to get rid of poverty.

Main issues

Over responsiveness of government in the final push to poverty reduction is visible also in the IFAD project, in a way of making choices and decisions for beneficiaries, not necessary bad ones though. Government service providers tend to over-dominate the decision making and service provision. Government preference sometimes influence the choice of sub-sector and value chain mapping exercise. This is partly the reason that three counties are low performing with mono sector and favouring lead enterprises adopting less preferable benefiting mechanisms.

Environment and Natural Resource Management	Rating: 5	Previous rating: 4
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Justification of rating

Project implementation has taken adequate consideration of sustainable environment and natural resources management. Each BP has particular section with environmental and resources considerations. In fact the government is strongly adopting the ecology-friendly development doctrine promoted by the President. Pertinent rules and regulations by government are being followed in the project supported production and infrastructure activities. Wastes and pollution in livestock production are properly handled, given the project area are also in the upper catchment of the drinking water source to the grand south-north water diversion project and more stricter rules apply.

Exit Strategy	Rating: 4	Previous rating: 4
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Justification of rating

While it is too early to assess the exit strategy of the project, the project supported 4P model is increasingly demonstrating its viability in the project counties. Adaptability is being further explored with flexibilities being agreed by mission and the project management. Local government comprehension and appreciation of project strategy and 4P approach is also gaining momentum. There is good prospect in the sustainability of the PPP partnership in the BPs, paving way for smooth exit of project interventions.

Potential for Scaling-up	Rating: 4	Previous rating: 4
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Justification of rating

The BP approach is being meticulously implemented and will soon generate evidence of tangible benefit for the rural target groups and sustainability of the benefiting mechanisms. With BP model been further diversified and given flexibility, M&E and knowledge management activities better rolled out to provide evidence, the project will be able to ascertain buy-in of the local governments to replicate and take up the model to government programs. To eventually achieve this however, a higher level of influence will be necessary given the rigidity of government programming.

c. Project Management

Quality of Project Management	Rating: 4	Previous rating: 4
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Justification of rating

The project management is moderately satisfactory due to the uneven performance among the PMOs. Project teams in the province and counties have been rather stable with key functions adequately staffed. Capacity development was also given attention by the PPMO to both provincial and county PMOs. Project Implementation Manual (PIM) was updated to reflected suggestions of last mission and experience from past year implementation of BPs. Both PMOs and CPMOs are adequately budgeted to support the management function. Project MIS and online platform have been functioning well and are helpful tools to support project management.

Main issues

Technical services in M&E, knowledge management, rural finance, legal issues relating to BP, BP value chain support

and project management were acquired by the PPMO to support project management. The technical teams were mostly committed and generated useful learning and experiences while providing guidance and support to project implementation. PPMO is suggested to fully take advantage of the teams to internalize their learning and information collected, to better guide counties in project implementation and to generate knowledge products for dissemination. It will be extremely helpful that some exercise of consultation among county and provincial technical teams is undertaken by PPMO to provide chance of collective learning and to further fine-tune and adapt the BP model.

Comprehension of project strategy and the BP approach is also seen improving, though among the counties this is rather uneven. With MIS and expert team generating and capturing project data and analytical information, the agenda of learning from and application of such information will need to be systematically planned and carried out. Learning and sharing between the counties and with outside partners can also be brought to implementation. At some point, if all possible some on-site exchange visits of selected county leadership or project directors may be considered to enhance their understanding and appreciation of project strategy and the BP model.

Project management among the counties have been uneven, with three counties (Mianxian, Shanyang and Danfeng) continue to fall short in capturing the project strategy and values promoted by IFAD. The CPMOs have not been able to convince their leadership and mobilize the required support to the project objectives. In the two new counties, the comprehension of project strategy by CPMO staff and county leadership needs to be further enhanced, avoiding the top-down and sector development prioritized approach hijacking the project strategy of developing pro-poor, equitable and sustainable 4P along a value chain approach.

Knowledge Management

Rating: 4

Previous rating: 4

Justification of rating

Following last supervision's suggestion, PPMO has been making efforts to develop systematic plan for project KM. The task was outsourced to Hailixin Consulting Firm from early 2020 to the end of 2021, which is expected to improve the performance of the project KM. In spite of the fact that the project KM strategy and action plan has yet been in place and no KM product is observed by the mission, the project demonstrates good understanding and commitment to the value of learning, best practice management and the value of interdisciplinary studies for knowledge sharing and policy influence purposes.

Main issues

The project has developed good basis for systemizing knowledge management throughout. A pool of national consultants and consulting firms were recruited to provide thematic support to project implementation but also undertaking analysis and surveys to generate required knowledge and learning for project improvement. A two-day on-site training was delivered by PPMO in October 2020 to relevant staff from nine CPMOs, focusing on thematic knowledge learning in pursuit of better delivered project activities and performance. The project Wechat public account works well in disseminating project information, including request for expression of interest, project progress, financial management capacity training video and PPTs due to COVID-19 caused travel restrictions as well as relevant IFAD news. Data relating to BPs and financial management has been timely recorded in MIS and adequately utilized by the project management at all levels.

The project implementation especially in the BP approach is generating useful learning along the way. Proper documentation of good practices and lessons learnt will definitely be helpful to guide future implementation and for sharing between counties. The PPMO is also encouraged to put thematic studies or analytical work on the agenda of the KM strategy and develop plan for knowledge sharing and policy influence purposes, benefiting such exercise from the surveys that the project has been undertaken on annual basis. PPMO may need to make advance plan on a few major knowledge deliverables such as strategic and policy briefs derived from the implementation of this project.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
KM Plan Develop plan for knowledge management and implement it	PPMO	03/2021

Value for Money

Rating: 4

Previous rating: 4

Justification of rating

It is still difficult to assess the extent of value for money at this early stage when most BPs are still being implemented and survey is yet to be taken at mid-term. However, the mission observed that the project support to specialised production in the counties appeared to generate good revenue for the business and income for households. Livestock activities are particularly profitable due to price surge caused by COVID-19 and swine fever, an annual turn out of 50% or more is possible in this subsector. Poultry is also a good business for rural households. Vegetable, fruits and medicinal production

also shows good market prospects. The present investment intensity by the 144 BPs is at an average of CNY 18,570 per HH, with IFAD financing of CNY 8,242. As 70% of the BPs entail contract farming or labor employment, these BPs are estimated to generate good return to farmers, from 10% to 50% or even higher in some cases. Specific Quantitative assessment however will be possible at MTR or after.

Coherence between AWPB and Implementation

Rating: 4

Previous rating: 4

Justification of rating

The 2020 AWPB was submitted to IFAD with No-objection in March 2020. The 2020 financial target was set at 24% of the total budget, with component A taking about 69% of the annual budget. By 30 Sep 2020, the 2020 AWPB achievement was estimated at 58%, somewhat below the expected target. Specifically, component A has achieved around 37% of annual target by September 2020, while component B was already at 106% of the annual target.

AWPB Inputs and Outputs Review and Implementation Progress

It is however not much of a concern of the SIS mission that the project rolled out slower than expected in financial terms especially in component A. This type of 4P project based on BP model requires thoughtful implementation with much learning and adaptation to take place at the initial stage of the project implementation. The total investment amount of the 144 approved BPs has reached CNY561 million (around USD79.3 million), with IFAD loan contribution of CNY 248 million (around USD 35.2 million) or 59% of the allocation for BPs. This has not taken into account of the 38 BPs pending for soon approval in Zhenping county, which could push the total commitment of IFAD loan for BPs to around 70% of the overall financing allocation. PPMO reported that 20 out of the 144 BPs which have been fully completed so far (31% of total BP investment).

Looking at the overall realised project expenditure at 23% of total financing and 22% of IFAD loan amount, the project is moving relatively on track.

Performance of M&E System

Rating: 4

Previous rating: 4

Justification of rating

Overall the project has the key elements of a robust M&E system in place, in terms of adequacy of indicators, capacity and tools. Beyond the project M&E indicators, the project also established a set of criteria to follow up the performance monitoring and evaluate in terms of project implementation results and outcome. The M&E module integrated in the MIS can capture and produce adequate and reliable information for BPs related data under the main pillar component A. Despite that the PPMO has yet to update the full financial and physical outputs and beneficiaries reach in component B. While the system has a few shortcomings in consolidating and presenting timely the achievement of outputs and activities, the overall project progress was well captured and the analysis results were useful to assist the managerial and operational decision making.

The project M&E has been outsourced to Shaanxi Academy of Social Sciences since mid-2020, which is a rather experienced agency in this area. Along with the compulsory baseline, mid-term and end-line surveys, annual household survey is also planned with a sample size covering 10% of the project benefited households and all benefited enterprises/cooperatives. Useful information has been generated from such surveys. M&E staff designated at PPMO and CPMO levels are secured, which is conducive for regular data collecting.

M&E System Review

Nevertheless, notwithstanding that the log-frame indicators have been integrated in MIS, further inclusion of in project beneficiaries and physical outputs by activity are necessary to better enable the M&E system for the project. PPMO will need to make M&E Action Plan (or framework) to clarify M&E deliverables, responsibilities, reporting timeline and templates, as well as other necessary contents.

The mission clarified with the PPMO and service provider on the definition/criteria of direct beneficiaries and youth. Youth group will be those aged between 14 and 35 (following national definition according to Medium and Long-term Youth Development Plan 2016-2025). Fixed staff of project associated enterprises will not be counted as direct beneficiaries.

In lieu of with the annual household survey for 2020, the mid-term survey has been planned for March 2021, and will comply with new standard requirements of IFAD core outcome indicator measurement guidelines as briefed by the mission during the discussions. The PPMO should pay special attention to the steps of log-frame review and formulating questionnaire following the COI measurement guideline.

As per IFAD requirement, the project will in future make annual and half-year progress reporting to IFAD, to include both financial and physical progress, and outcome results if available.

Agreed Action	Responsibility	Agreed Date
M&E framework Formulate and roll out the M&E framework to identify M&E deliverables, responsibilities, reporting timeline and templates, as well as other necessary contents.	PPMO, M&E service provider	11/2020
Mid-term survey Undertake a combined annual and mid-term survey, in compliance with new requirements of IFAD core outcome indicator measurement guideline	PPMO, M&E service provider	03/2021
Project Progress Report Submit semi-annual and annual project Progress Reports to IFAD respectively by every 31 July and 31 Jan	PPMO	

Social, Environment, and Climate Standards requirements

Rating: 4

Justification of rating

The mission did not find any major environmental or climatic risks that adversely affect the operation of the project and its potential attainment of objectives. COVID-19 caused some disruption on marketing of some produces but was short-lived and did not noticeably cause impact at household level. Swine fever caused surge of price on piglets, which did delayed implementation of 1-2 BPs.

Project implementation followed relevant rules and regulations in supported production and infrastructure activities. Wastes and pollution in livestock production are properly handled, given the project area are also in the upper catchment of the drinking water source to the grand south-north water diversion project and stricter rules apply.

As the project area have mostly declared eradication of extreme poverty, project support to previously registered poor in grant might create some sense of inequality and tension among the rural households. The project is encouraged to mitigate such inequality, by promoting BPs initiated by cooperatives that register smallholders, and by benefiting village collective cooperatives on pilot basis to test new approach of benefit distribution. Similarly, benefiting mechanism of labor employment for BPs is also encouraged for villages where farmers have limited land plot or not favorable for cash crop production.

d. Financial Management & Execution

Acceptable Disbursement Rate

Rating: 3.0

Previous rating: 3

Justification of rating

The entry into force of the FA was on 07 May 2018, the initial deposit was made on 20 Dec 2018 in the amount of USD 8 million (11% of the total allocation), the second disbursement/replenishment in the amount of approximately USD 2.47 million was made during the mission (accumulated disbursement ratio 15%). The project experienced some bottleneck for disbursement lag due to (i) the initial set up of the MIS (ii) recently difficult to complete the synchronization with the ICP in the very regulatory IT environment since the authorized signatory changed to a new mobile. In view of about .

Main issues

In line with the LTB , the Programme shall submit withdrawal applications and IFRs semi-annually on actual payments for incurred expenditures within 45 days after the period. The frequency of the WA should be improved. The Project agreed the WA 3 will be submitted prior to 15 Nov, 2019 with an estimated amount not less than USD 1.9 million. • submit the WA on a semi-annual basis, to reduce disbursement lag in rest of the year. It is good to note commitment of PMOs to expedite disbursement progress. • Simplified Disbursement Documentation IFAD agreed that the IFRs submitted do not require the authorized signature. However, the online WA /or form 100 must be certified by the authorised representative(s) of the borrower (in accordance with the Evidence of Authority to sign Withdrawal Applications designated signatures). By certifying the WA /form 100 , the borrower agree with the data/IFRs on the accompanying forms. The IFR should be checked for accuracy and correctness of the claims made under the IFR, whether claimable for replenishment under the designated account or for reimbursement of expenditures prefinanced by the borrower. Withdrawal Applications : Spot checks on the pending WAs for expenditure incurred in the amounts CNY 348 119 (approximately USD 53 350) , CNY 2 351 448 (approximately USD 361 761) and CNY2,862, 779 (about USD440 427) for Hanyin , Mianxian and Nanzheng respectively. The supporting document for Hanyin was found well kept. Original documents /invoices for disbursements were stamped paid before returning them to the IAs after the invoices were paid.

Certain improvements are to be made by Mianxian and Nanzhen such as invoices were returned to the ICs after reimbursement without stamping "paid". The mission recommends the documentation and traceability of controls needs to be performed.

Agreed Action	Responsibility	Agreed Date
Submission of WA 3	PPMO /DOF	11/2019
Return original invoices to IAs only until all BP activities are 100% completed and accepted to reduce potential risk This should be carried out immediately and maintained as continuous practices.	PPMO/CPMO	11/2020
Introduce a "paid" stamp across all counties to standardize documentation of control and to increase work efficiency This should be carried out immediately and maintained as continuous practices.	PPMO/CPMO	11/2020

Fiduciary aspects

Quality of Financial Management

Rating: 5

Previous rating: 5

Justification of rating

Organizational structure of the project is in line with assigned roles and responsibilities..

Main issues

The mission is pleased to note that dedicated finance staff with strong capacity have been engaged in full time in programme implementation at the provincial and each county level. The Chief Finance Manager of PPMO has been working persistently and organized and provided FM training and guidance to all counties FM staff on the Financial Management of the project. From the field visit, the mission noted that dedicated FM staff was also appointed at the BOF to support the project FM management. The mission was impressed that the project information integrated management system (including the accounting system) has been installed with web-based access to replace manual book keeping. The MIS is a fully adapted from all project implementation agencies. The chart of accounts contain separate ledger accounts for each project component and each financier. Financial Statements , WA preparation , budget compilation and contract monitoring table have been automated with collective coverage of all level . This has laid a solid foundation to set up the pilot on paperless withdrawal application submission program and use of the IFR facility (report based disbursement) for disbursement. In line with Risk based disbursement framework and after the mission assessment, the mission was pleased to announce that the disbursement /WAs for replenishment for this project are eligible for straight-through processing when the amount of the WA is less than USD 2 million dollars. Financial Supervision and Inspection Bureau does random check / audit of the financial matters. The focus is shifting randomly to all the relevant units. The project also procured the external accounting service company at the provincial level to provide training, guidance to the CPMOs. The mission recommend that the external accounting firm also could have a role as internal auditors who provide internal audit report periodically and verify sample transactions to determine if internal controls are adequate. Internal control mechanisms are available within the project, so are clear division and coordination of roles and responsibilities. Specifically, county PMO acts as the first check in reviewing consistency and reliability of financial data reported.

Agreed Action	Responsibility	Agreed Date
external accounting firm shall have a role as internal auditors who provide internal audit report periodically and verify sample transactions to determine if internal controls are adequate.	PPMO	11/2019
Internal audit report by external accounting firm Provide an internal audit report from external accounting service company in Q1 2021	PPMO	03/2021

Quality and Timeliness of Audit

Rating: 5

Justification of rating

The audited financial statements were submitted on time

Main issues

The project audit report for the period from 1 May 2018 to 31 December 2019 was received by IFAD within the agreed timeline on 30 June, 2020. The Shaanxi Provincial Audit Office conducted project financial audit in accordance with the Government Auditing Standards of the People's Republic of China and with the International Standards of Auditing. The auditor issued an unqualified opinion on the audited project financial statements. The audit report included a management letter containing audit observations with respect to the Project's compliance with applicable provisions of state laws, regulations, and financing agreement, internal financial controls and project management, and project performance. The project's response to auditor's 2019 findings and recommendations are submitted to IFAD. PPMO also did a training session with all FM staff to share the audit findings on common issues so as to avoid similar issues in future work.

The audit findings and recommendations pertaining to project management and internal controls of Mianxian and Danfeng were discussed in the management letter of 2019. The PPMO accepted auditor's suggestions per the audit report, and provided to IFAD on 10 September 2020 the project's response to auditor's findings and status of actions taken by Mianxian and Danfeng.

Agreed Action	Responsibility	Agreed Date
<p>Internal control issue</p> <p>The accounting books were not complete. Chuncao Company and Feizhongfei Company did not provide complete financial accounting records for their investments, rendering it impossible to verify the specific expenditure by the audit.</p> <p>Action: Instruct Danfeng County Project Office to urge the related enterprises to further improve financial accounting, and to reflect accounting information legally, truthfully, accurately and completely.</p>	PMU	
<p>Internal control issue</p> <p>Address and name of the supplier for an invoice of RMB 780,000 yuan were not consistent with that of the party signing the contract, in breach of Article 74 of the Basic Accounting Work Standards issued by the Ministry of Finance.</p> <p>Action: Suggestion to supervise Nanzheng District Project Office and in the future, it is necessary to strengthen the audit of accounting bills and standardize financial behaviour.</p>	PMU	
<p>Accelerate project implementation</p> <p>The annual project implementation progress was slow and the reimbursement rate was low in some districts and counties.</p> <p>Action: Urge Hanbin District, Zhenping County and Shanyang County to push forward the progress of the Project and submit the expense account of the completed projects in time.</p>	PMU	

<p>Project management issue</p> <p>Personnel expenses of RMB 213,552.53 yuan were recorded in the cost for purchase of saplings and special fertilizers.</p> <p>Action: Instruct the project office of Mianxian County to further regulate the project implementation behaviour, truly reflect the procurement of seedlings and fertilizers, and put an end to the recurrence of such problems.</p>	PMU	
<p>Completion acceptance and final accounting</p> <p>For Mianxian County and Xixiang County, the project acceptance and final accounting of completion had not been conducted as of the audit day for RMB 4,200,000 yuan (government infrastructure counterpart fund) and RMB 17,384,000 yuan (government counterpart fund) respectively.</p> <p>Action: Xixiang County and Mianxian County to actively raise counterpart funds, pay close attention to the completion acceptance and final accounting of completed projects and ensure that the projects can be completed as planned.</p>	PMU	
<p>Timely payment of project reimbursement</p> <p>Project offices in Mianxian County and Xixiang County did not comply with Art.5 Section 4 Chapter 7 in the PIM, relating to timely disbursement of funds.</p> <p>Action: Instructing the Mianxian County and Xixiang County project offices to disburse funds to the projects in a timely manner and strictly implement the IFAD project regulations.</p>	PMU	

Counterparts Funds

Rating: 5

Previous rating: 5

Justification of rating

Counterpart contribution in the amount USD 79.5 million was committed mainly for public good and services such as common/village infrastructure, access to climate change adaptation. The activities are to be completed in the first 3 project years. Spot checks was carried out in the field visit in Hanyin in the amount of CNY 45 738 119 (USD 7 036 427.54). The document was found well kept. The mission noted the Counterpart funding was sufficiently allocated each year, meeting the requirements of AWPB. However, the reporting on counterpart funds was not updated timely. The mission received the information generated manually outside the MIS system.

Main issues

The mission strong recommended that timely update the counterpart contribution rather than only at the year end. Compliance with loan covenants. The financing covenants are generally complied with in respect of those that have become due for compliance except for submitting withdrawal applications and IFRs semi-annually on actual payments for incurred expenditures within 45 days after the period.

Agreed Action	Responsibility	Agreed Date
timely update the counterpart contribution	Implementation agencies	11/2019
Expedite Civil work acceptance and timely update the accounting of expenditures as incurred or quarterly as a minimum	CPMO	11/2020

Compliance with Loan Covenants

Rating: 5

Previous rating: 4

Justification of rating

The financing covenants are generally complied with in respect of those that have become due for compliance, except for

the covenant of submitting withdrawal applications and IFRs semi-annually on actual payments for incurred expenditures within 45 days after the period. The semi-annual frequency was not followed though, the PPMO is able to submit IFR generated from the MIS on monthly basis and three WAs are expected in 2020.

Procurement

Procurement **Rating: 4** **Previous rating: 4**

Justification of rating

Project procurements in the past year mainly related to those under BPs and those relate to services and consultancies recruited by PPMO. CQS method was used for those service procurements and prior review through IFAD NOTUS system was sought whenever relevant. BP procurements were done by concerned business entities directly, without need of involving both government and IFAD. Contracts for procurements were found properly registered in the MIS system. Overall, procurement processes, procedures and systems were adequately applied albeit exhibiting some minor gaps and inconsistencies, which however only had limited impact to project implementation and performance. The mission believes that with implementation support provided on site and remotely, prompt resolution of issues/constraints can be expected.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Update Procurement Plan Update the Procurement Plan with new template	PPMO	11/2020

e. Key SIS Indicators

Likelihood of Achieving the Development Objective **Rating: 4.21** **Previous rating: 4.0**

Assessment of the Overall Implementation Performance **Rating: 4.25** **Previous rating: 4.0**

F. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
Propose Loan Reallocation Among Counties Consult with provincial departments to propose loan reallocation at MTR from three low performing counties to better performing counties. Meanwhile, slowdown new BP approval in the three counties.	PMO	12/2020
Development plan for public services Development plan for public services for sustainable agriculture, food safety and other innovative features, for implementation after consultation with IFAD	PPMO	03/2021
Rural finance capacity building and insurance rollout Make proposal for rural finance capacity building and for insurance rollout (in selected counties)	PPMO	03/2021
Improve BP quality Continue to seek improvement in BP quality and gain learning from BP implementation with the maximised assistance from national consultant team	PPMO	

Expand the adapt BP model Expand the adapt BP model to other income generating opportunities and flexibilities suggested by mission in the AM	PPMO/CPMOs	
Development Effectiveness		
Gender Action Plan Develop gender action plan for the project and implement it	PPMO/CPMOs	03/2021
Project Management		
M&E framework Formulate and roll out the M&E framework to identify M&E deliverables, responsibilities, reporting timeline and templates, as well as other necessary contents.	PPMO, M&E service provider	11/2020
KM Plan Develop plan for knowledge management and implement it	PPMO	03/2021
Mid-term survey Undertake a combined annual and mid-term survey, in compliance with new requirements of IFAD core outcome indicator measurement guideline	PPMO, M&E service provider	03/2021
Project Progress Report Submit semi-annual and annual project Progress Reports to IFAD respectively by every 31 July and 31 Jan	PPMO	
Financial Management & Execution		
Submission of WA 3	PPMO /DOF	11/2019
timely update the counterpart contribution	Implementation agencies	11/2019
external accounting firm shall have a role as internal auditors who provide internal audit report periodically and verify sample transactions to determine if internal controls are adequate.	PPMO	11/2019
Update Procurement Plan Update the Procurement Plan with new template	PPMO	11/2020
Expedite Civil work acceptance and timely update the accounting of expenditures as incurred or quarterly as a minimum	CPMO	11/2020
Return original invoices to IAs only until all BP activities are 100% completed and accepted to reduce potential risk This should be carried out immediately and maintained as continuous practices.	PPMO/CPMO	11/2020

<p>Introduce a “paid” stamp across all counties to standardize documentation of control and to increase work efficiency</p> <p>This should be carried out immediately and maintained as continuous practices.</p>	PPMO/CPMO	11/2020
<p>Internal audit report by external accounting firm</p> <p>Provide an internal audit report from external accounting service company in Q1 2021</p>	PPMO	03/2021
<p>Internal control issue</p> <p>The accounting books were not complete. Chuncao Company and Feizhongfei Company did not provide complete financial accounting records for their investments, rendering it impossible to verify the specific expenditure by the audit.</p> <p>Action: Instruct Danfeng County Project Office to urge the related enterprises to further improve financial accounting, and to reflect accounting information legally, truthfully, accurately and completely.</p>	PMU	
<p>Internal control issue</p> <p>Address and name of the supplier for an invoice of RMB 780,000 yuan were not consistent with that of the party signing the contract, in breach of Article 74 of the Basic Accounting Work Standards issued by the Ministry of Finance.</p> <p>Action: Suggestion to supervise Nanzheng District Project Office and in the future, it is necessary to strengthen the audit of accounting bills and standardize financial behaviour.</p>	PMU	
<p>Accelerate project implementation</p> <p>The annual project implementation progress was slow and the reimbursement rate was low in some districts and counties.</p> <p>Action: Urge Hanbin District, Zhenping County and Shanyang County to push forward the progress of the Project and submit the expense account of the completed projects in time.</p>	PMU	
<p>Project management issue</p> <p>Personnel expenses of RMB 213,552.53 yuan were recorded in the cost for purchase of saplings and special fertilizers.</p> <p>Action: Instruct the project office of Mianxian County to further regulate the project implementation behaviour, truly reflect the procurement of seedlings and fertilizers, and put an end to the recurrence of such problems.</p>	PMU	

<p>Completion acceptance and final accounting</p> <p>For Mianxian County and Xixiang County, the project acceptance and final accounting of completion had not been conducted as of the audit day for RMB 4,200,000 yuan (government infrastructure counterpart fund) and RMB 17,384,000 yuan (government counterpart fund) respectively.</p> <p>Action: Xixiang County and Mianxian County to actively raise counterpart funds, pay close attention to the completion acceptance and final accounting of completed projects and ensure that the projects can be completed as planned.</p>	<p>PMU</p>	
<p>Timely payment of project reimbursement</p> <p>Project offices in Mianxian County and Xixiang County did not comply with Art.5 Section 4 Chapter 7 in the PIM, relating to timely disbursement of funds.</p> <p>Action: Instructing the Mianxian County and Xixiang County project offices to disburse funds to the projects in a timely manner and strictly implement the IFAD project regulations.</p>	<p>PMU</p>	

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Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Supervision Report

Logical Framework

Mission Dates: 19-30 October 2020
Document Date: 08/12/2020
Project No. 2000001184
Report No. 5567-CN

Asia and the Pacific Division
Programme Management Department

Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Outreach Direct beneficiaries	1 Persons receiving services promoted or supported by the project							MIS	BI-ANNUAL	PPMO (aggregation) CPMO (validation) TPMO (collection)	
	Females			31 919	20 763	37 532	117.6				
	Males			35 993	18 412	37 465	104.1				
	Young			16 300	9 402	17 968	110.2				
	Not Young			51 612	29 773	57 029	110.5				
	Indigenous people			204	118	197	96.6				
	Non-Indigenous people			67 708	39 058	74 801	110.5				
	Total number of persons receiving services			67 912	39 175	74 997	110.4				
	1.a Corresponding number of households reached										
	Women-headed households			1 495	345	707	47.3				
	Non-women-headed households			66 417	15 325	31 234	47				
	Households			67 912	15 670	31 941	47				
	1.b Estimated corresponding total number of households members										
	Household members			339 561	78 351	150 002	44.2				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Project Goal Contribute to National poverty reduction programme and economic development in Shaanxi.	Registered poor brought out of poverty							Survey, National Poor Registration System (NPRS)	Y1, Y3, Y5	PPMO	Contribution of SPRAD to national policy at provincial level.
	Number of people			136 642	32 908	73 548	53.8				
	Females			64 222	15 467	34 607	53.9				
	Young			32 794	7 898	17 698	54				
Development Objective Bringing and maintaining the target population in selected areas out of poverty through the development of inclusive, equitable and sustainable value chains	Poor people brought out of poverty in the project area							NPRS			The % is building on the total number of BPs, at design estimated 400.
	Number of people		100 000	100 000	19 110	49 455	49.5				
	Females			47 000	8 982	23 337	49.7				
	Young			24 000	4 586	11 767	49				
	Inclusive business relationships in operation after 3 years or at project completion							Survey	Y1, Y2, Y5	PPMO	
	Inclusive business relationships		65	85							
Outcome Component 1: Pro-poor value chains developed	Increase in gross per capita income among poor beneficiaries through inclusion in business plans							MIS survey	Annual entry, Y3, Y5	PPMO, PPM0 (contr. thrid party)	
	Increase in gross capita income		20	30							
	Supported enterprises/cooperatives reporting an increase in sales value compared to previous year							MIS survey	Annual entry, Y3, Y5	PPMO, PPM0 (contr. thrid party)	
	Increase in sales value		33	90							
Output Competitive Business Plan selection to channel investments to pro-poor value chains	2.1.1 Rural enterprises accessing business development services							MIS	Bi-annually	PPMO	Design estimated approximately 400 enterprises involved
	Rural enterprises		200	400	88	182	45.5				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Women in leadership position				20	39					
	Poor included in business plans							MIS	Bi-annually	PPMO	
	People included		40 000	100 000	22 528	53 278	53.3				
	Females			45 000	10 363	24 727	54.9				
	Young			24 000	5 407	12 612	52.6				
	Business plans awarded to women-led cooperatives/ enterprises, women-groups							MIS	Bi-annually	PPMO	
	Business plans		15	25	21	21	84				
	1.1.3 Rural producers accessing production inputs and/or technological packages							MIS	Bi-annually	PPMO	
	Females				9 741	23 292					
	Males				10 813	28 518					
	Young				4 186	9 487					
	Not Young				16 369	42 321					
	Indigenous people				20 516	51 750					
	Non-Indigenous people				37	59					
	Total rural producers				20 554	51 810					
	1.1.5 Persons in rural areas accessing financial services							Survey	Annually Entry, Y3, Y5	PPMO PPMO (contr. Third party)	
	Total number of accesses to financial services				0	0					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Men in rural areas accessing financial services - credit				0	0					
	Women in rural areas accessing financial services - credit				0	0					
	Total persons accessing financial services - credit				0	0					
Outcome Component 2: public infrastructure and services conducive to value chain development are delivered	Increase in volumes of transported products from farm-gate to markets							Survey	Base, Y3, Y5	PPMO (contr. third party)	
	Increase in volume		15	25							
Output	2.1.5 Roads constructed, rehabilitated or upgraded							MIS	Bi-annually	PPMO	
	Length of roads		300	793	283	283	35.7				
	Tap water penetration reached							Village Survey	Y3,Y5	PPMO	
	Tap water penetration		90	100							
	3.1.2 Persons provided with climate information services							MIS	Bi-annually	PPMO	
	Females				0	0					
	Males				0	0					
Persons provided with climate information services		900	900	0	0	0					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Output Component 3 - Monitoring and Knowledge Management	Policy 1 Policy-relevant knowledge products completed							KM products; Dissemination reports	Annually	PPMO	
	Number		4	7	1	4	57.1				



Investing in rural people

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**Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi
Supervision Report**

**Appendix 1: Financial: actual financial performance; by financier by component and
disbursements by category**

Mission Dates: 19-30 October 2020

Document Date: 08/12/2020

Project No. 2000001184

Report No. 5567-CN

Asia and the Pacific Division
Programme Management Department

Table 1A: Financial performance by financier

(amount in USD' 000)

Financier	Approval	Disbursements (upto 30 Sep 2020)	% disbursed
IFAD Loan	72 000.00	13 373.20	18.57%
Government	79 500.00	30 239.57	38.04%
Beneficiary Contribution	3 300.00	678.55	20.56%
Participating enterprises and cooperatives	101 901.00	13 309.79	13.06%
Total	256 701.00	57 601.11	22.44%

ble 1B: Financial performance by financier by component upto 30 Sep 2020

截止2020.9.30

(Amount in USD '000)

Component	IFAD Loan			Government			Beneficiaries			Private Sector			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Pro-Poor value Chains and Agribusiness Development 扶贫价值链和农业发展	67 700.00	7 606.57	11.24%	4 500.00	0.00	0.00%	3 300.00	678.55	20.56%	101 901.00	13 309.79	#####	177 401.00	21 594.91	12.17%
Public Infrastructure and Services 公共基础设施和服务	1 300.00	0.00	0.00%	70 600.00	29 895.81	42.35%	0.00						71 900.00	29 895.81	41.58%
Project Management, Co-ordination and M&E 项目管理、协调和M&E	3 000.00	443.08	14.77%	4 400.00	343.76	7.81%	0.00						7 400.00	786.84	10.63%
Total	72 000.00	8 049.65	11.18%	79 500.00	30 239.57	38.04%	3 300.00	678.55	20.56%	101 901.00	13 309.79	13.06%	256 701.00	52 277.56	20.37%

Table 1C: IFAD Loan Disbursements (SDR as at 31-05-2020) - 2000001447

截止2020.9.30

Code	Categories	Original Allocation	Disbursements	% disbursed	WA pending to be submitted by 15 Nov 2020	Balance	% disbursed (after pending WA)
200003	Works 工程	12 796 000.00	1 158 932.45	9.06%	504 088.77	11 132 978.78	13.00%
200011	Equipment & Materials 设备和材料	17 770 000.00	804 320.18	4.53%	107 528.73	16 858 151.09	5.13%
200013	Goods, Services and Inputs 货物、服务和投入	19 016 000.00	2 983 644.45	15.69%	1 871 408.38	14 160 947.17	25.53%
V-a	Consultancies 顾问、咨询服务	15 218 000.00	426 303.81	2.80%	193 425.94	14 598 270.25	4.07%
290001	Unallocated 未分配	7 200 000.00	0.00	0.00%	0.00	7 200 000.00	0.00%
	Initial deposit 初始存款		8 000 000.00			-8 000 000.00	
	Total	72 000 000	13 373 201	18.57%	2 676 452	55 950 347	22.29%

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Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 19-30 October 2020
Document Date: 08/12/2020
Project No. 2000001184
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Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

项目 Project Activities	单位 Unit	2020年度计划 2020 AWPB	2020年实际实施 2020 Actual	2020年完成比例% 2020 Actual %	自项目实施累计 完成比例% Cumulative Actual %
- 项目合计 Project Total					
- 一 扶贫价值链和农业经营发展 VC and Agri Dvlp					
- 1 扶贫商业计划的开发 BP Dvlp	份 Number				
1.1 征询商业计划书 EOI BP	份 Number	140	130	93%	
1.2 商业计划书编制支持 BP Preparation Support	份 Number	140	126	90%	
1.3 选择和批准商业计划 BP Approval	份 Number	110	94	85%	
1.4 商业计划实施支持 BP Implementation Support	份 Number	110	94	85%	36%
- 2 价值链开发支持 Value Chain Development Fund					
2.1 培训和咨询 Training and advisory	次 Time	30	27	90%	
2.2 生产支持 Production Support	亩/只				
2.3 生产基础设施和设备 Production infra and facility	件 Number				
2.4 产后基础设施和设备 Post-production infra and facility	件 Number				
2.5 营销和品牌推广活动 Marketing and Branding	次 Time				
2.6 其他 Others					
2.7 项目监督检查 BP Implementation Supervision	次 Time	4	3	75%	
- 3 价值链农村金融发展 VC Rural Finance Dvlp					
3.1 对农村金融机构的技术支持 TA for RFIs	次 Time	1	1	100%	
3.2 项目主体财务管理能力建设 FM capacity building	次 Time	4	3	75%	
3.3 贷款风险基金 GF	元 CNY				
- 3.4 农业险补贴 Ag insurance					
3.4.1 农业险补贴 Ag insurance	个 Number				
3.4.2 农业价值链保险技术支持和中介服务 TA to insurance companies	次 Time	2	2	100%	
- 二 公共基础设施和服务项目 Public Infra & Services					
- 1 气候智能基础设施发展 Climate Smart Infra Dvlp					
1.1 灌溉和排水系统的改进和发展 Irrigation and 输水管道 water canals	县 County 公里 km	9 60	9 57.5		73%
1.2 水源设施的改善与发展 Water source facility	台 number				
1.3 饮用水供应系统的改善与发展 drinking water supply system development and improvement	个 number				
1.4 供电系统的改善与扩建 power supply system	县 County	2	2		
1.5 生产道路和生活道路的改善 rural roads	县 County	9	9		
混凝土道路+砂石+土路 concrete village roads+gravel roads+access roads	公里 km	300	282.8	94%	#REF!
1.6 土地整理 Land Preparation	亩 Mu				
1.7 基础设施运行与维护的支持 Infra O&M	次 Time	9	9		
- 2 产业发展公共服务 Public Services and Regulations for Pro-poor Agribusiness Dvlp					
2.1 示范推广服务 Extension service	个 Number				
技术援助 TA	人月 person/month				
2.2 追溯体系 Traceability system	个 Number	1	1	100%	33%
2.3 项目支持产品的食品风险检验 risk-based inspection	次 Time				

项目 Project Activities	单位 Unit	2020年度计划 2020 AWPB	2020年实际实施 2020 Actual	2020年完成比例% 2020 Actual %	自项目实施累计 完成比例% Cumulative Actual %
- 三 项目管理与能力建设 Project Management and Coordination					
- 1 项目管理 PM					
1.1 办公设备 Office Equipment	台 number				100%
1.2 车辆租赁 Vehicle rent	辆天 vehicle/day	265	220	83%	
1.3 项目检查 Project Supervision	人天 person/day	640	625	98%	41%
1.4 会议 meetings	人天 person/day	550	460	84%	43%
1.5 项目考察 project visits	人天 person/day	92	85	92%	36%
1.6 项目管理人员培训 staff training	人天 person/day	120	104	87%	64%
1.7 环境和性别意识培训 Environment and Gender Training	次 Time				
1.8 技术协助 (援助) TA	人月 person/month	30	28	93%	85%
1.9 项目管理信息系统开发 MIS	个 Number	0	0		100%
1.10 项目前期费					
2 监测与评估 M&E	次 Time	1	1	100%	
3 知识管理产品 KM products	个 Number	1	1	100%	43%

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Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 19-30 October 2020
Document Date: 08/12/2020
Project No. 2000001184
Report No. 5567-CN

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: Status of implementation – SPRAD-SS

Section	Covenant	Compliance Status/Date	Remarks
Financing Agreement:			
Section B, Para 6	Designated account: There shall be a Designated Account (DA) denominated in US dollars, to be opened for the IFAD loan, through which IFAD funding shall be channelled	Complied	
Section B, Para 7	Counterpart contributions of the Borrower, and beneficiaries to the Project will be approximately seventy nine million five hundred thousand United States Dollars (79.5 million USD), and three million and three hundred thousand United States Dollars (US\$3.3 million), in cash or in kind, respectively. Contributions of participating enterprises and cooperatives expected to be leveraged by the Project are estimated to approximately one hundred one million, nine hundred thousand United States Dollars (US\$101.9 million) in cash or in kind, based on estimates made during Project design	Being Complied	Borrower is pre-financing project expenses, beneficiary and participating agro-entities contributions leveraged through BP
Section C, Para 1	The Lead Project Agency shall be the Shaanxi Provincial Development and Reform Commission.	Complied	
Section D, Para 1	The Financing will be administered and the Project supervised by the Fund. In addition to supervision missions, the Fund shall conduct a mid-term review to be carried out towards the mid-term of the Project as provided for in Section 8.03 (b) of the General Conditions and a completion review before the Project Closing Date.	Being complied	
Section E, Para 1	The following are designated as additional general conditions precedent to withdrawal: <ul style="list-style-type: none"> (a) The PPMO) and at least one CPMO shall have been duly established and staffed with at least the following staff: a director, an accountant, and a cashier; (b) The Designated Accounts shall have been duly opened and the names of the authorized signatories shall have been submitted to the Fund; (c) The Borrower, through the Lead Project Agency, shall have caused the PPMO to submit, and the Fund shall have received, an official document confirming the availability of adequate counterpart funds for the first Project Year; (d) A computerized accounting system acceptable to the Fund shall have been identified and selected by the PPMO. (e) The Project Implementation Manual (PIM) shall have been approved by IFAD 	Complied	
Section E, Para 2	The following is designated as additional ground for suspension of the right of the Borrower to request disbursements: <ul style="list-style-type: none"> (a) The PIM, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that it has had, or is likely to have, a material adverse effect on the Project. 	Complied	

Section	Covenant	Compliance Status/Date	Remarks
Schedule 1, Section C Para 9	The PPMO shall prepare, with inputs from the CPMOs, a draft PIM and submit it to the Fund for approval. If the Fund does not approve it within thirty (30) days after receipt, the draft PIM shall be considered approved.	Complied	
Schedule 1, Section C Para 10	<i>Business Plans (BPs) financing agreement.</i> Agribusiness entities and county PMOs shall sign a financing agreement for each approved business plan. The agreement shall state the rights and obligations of both sides, the commitments of the proponent agribusiness entity, targets and agreed verifiable physical, financial, economic and social indicators for the committed targets. A financing plan for the BP, compliant with the agreed financing rules as detailed in the PIM, shall be part of the financing agreement. Key information of the finance agreement shall be publicized in the village.	Being complied. 144 BPs have been approved and each will be signed with an agreement	
Letter to the borrower:			
LTB paragraph 5	Authorized Signature: Before disbursement can begin, IFAD must receive from the Ministry of Finance a letter designating the names of officials authorized to sign withdrawal applications, which includes their authenticated specimen signatures.	Complied	
LTB paragraph 11	The programme shall submit withdrawal applications and IFRs semi-annually on actual payments for incurred expenditures within 45 days after the period.	Being complied	Two WAs were submitted by DOF to IFAD up to date in 2020, one was on 26 Feb 2020 and the other one is pending to be submitted to IFAD in early November.
LTB Paragraph 20	As soon as possible after project commencement, the PPMO shall submit to IFAD the draft AWPB and the Procurement Plan covering the initial 18 months period of project implementation.	Not applicable	
LTB paragraph 34	the following shall be subject to prior review by the Fund: (a) Award of any NCB contracts for works valued USD1million or more; (b) Award of any NCB contracts for goods and services valued USD200,000 or more; (c) Award of direct contracts for goods estimated to cost USD 20,000 or more; (d) Award of all contracts for Works by Force Account; (e) Award of any QCBS,FBS, LCS and CQS contracts for consulting firms valued USD100,000or more; (f) Award of any SSS contracts for consulting firms valued USD20,000or more; (g) Award of any CSP contracts for individual consultants valued USD50,000or more; (h) Award of any SSS contracts for individual consultants valued USD20,000or more.	Being complied	PPMO has sought IFAD's No-Objection for procurements above these threshold so far.
LTB paragraph 38	In accordance with Section 9.01 and 9/02 of the General Conditions, the Borrower must prepare and submit to IFAD detailed financial statements of all the operations, resources and expenditures related to the Project for each fiscal year.	Complied	

Section	Covenant	Compliance Status/Date	Remarks
LTB paragraph 27	All contacts, with or without prior IFAD approval, shall be listed in the Register of Contracts with the dates of approval. The register shall be updated and submitted to the IFAD on a six-month basis.	being complied	MIS has captured all contracts, to be exported to IFAD regularly.
General Condition for Agricultural Financing:			
Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.	Not due yet	
Section 9.02	Financial Statements: The borrower shall prepare consolidated financial statements of the operations, resources and expenditures related to the Programme for each Fiscal Year. Within 4 months of each Fiscal Year end, such financial statements shall be delivered to the Fund.	Complied	
Section 9.03	Audits: (a) Each Fiscal Year, the borrower shall have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund.	Complied	Audit report was submitted to IFAD on 30 June 2020 within due time.
Section 9.03	(b) The borrower shall, within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof	Complied	Audit report was submitted to IFAD on 30 June 2020 within due time. Reply to management letter of the auditors has also been submitted to IFAD.
Section 9.03	(c) If the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of its choice to audit the accounts relating to the Project.	Not applicable so far	
Section 8.02 (a)	Establish and thereafter maintain an appropriate information management system in accordance with the Fund's Guide for Project Monitoring and Evaluation with which it shall continuously monitor the Project;	Complied	
Section 8.03	Progress Report: The Lead Project Agency shall submit to the Fund, periodical and annual progress reports on Project Implementation no later than 2 months after end of each reporting period during the Programme Implementation Period.	Being complied	
	Mid-Term Review: The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than 48 months after the Effective Date (the "Mid-Term Review") based on terms of reference prepared by the Borrower and approved by the Fund.	Not applicable so far	
Section 8.04	Completion Report: The borrower shall submit to the Fund the completion report on the Programme no later than six (6) months after the Programme Completion Date.	Not yet applicable	
Section 8.05	Annual Work Plan and Budgets: AWPB to be submitted to the Fund, for its review and approval	Complied	2020 AWPBs was given No-Objection on 4 Mar 2020

Section	Covenant	Compliance Status/Date	Remarks
Section 7.13	The Borrower/Recipient and the Project Parties shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods.	Being complied	
Section 7.11	The Borrower/Recipient or the Lead Project Agency shall appoint the Project Director and all other key Project personnel in the manner specified in the Agreement or otherwise approved by the Fund. All key Project personnel shall have qualifications and experience specified in the Agreement or otherwise approved by the Fund.	Complied.	
Section 7.09	The Borrower/Recipient shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement.	Being complied	