

**PEOPLE'S REPUBLIC OF CHINA**  
**DABIESHAN AREA POVERTY REDUCTION PROGRAM**  
**SUPERVISION REPORT**

Main Report and Appendices

Asia and the Pacific Division  
Programme Management Department

REPORT No. 2765-CN

September 2012

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### CURRENCY EQUIVALENTS

Currency Unit	=	Yuan (CNY)
USD 1.00	=	CNY 6.8 (Appraisal)
USD 1.00	=	CNY 6.31 (MTR)

### WEIGHTS AND MEASURES

1 ha	=	15 mu
1 mu	=	0.067 ha
1 kg	=	1 jin
1 Jin	=	0.5 kg

### FISCAL YEAR

1 January – 31 December

### ABBREVIATIONS AND ACRONYMS

AWPB	Annual Work Plan and Budget
BOA	Bureau of Agriculture
BOF	Bureau of Finance
BOST	Bureau of Science and Technology
CNY	Chinese Yuan
Coops	Farmer Cooperatives
CPMOs	County Program Offices
DAPRP	Dabieshan Area Poverty Reduction Program
DOF	Department of Finance
DRC	Development and Reform Commission
IA	Implementing Agency
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activities
IVAP	Integrated Village Advancement Program
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MTR	Mid-Term Review
NCB	National Competitive Bidding
PAO	Poverty Alleviation Office
PDP	Project Disbursement Profile
PDRC	Provincial Development & Reform Commission
PLG	Programme Leading Group
PMO	Programme Management Office
PPCO	Provincial Program Coordination Office
PPMO	Prefecture Program Management Office
RIMS	Result and Impact Management System
SA	Special Account
SDR	Special Drawing Rights
SLA	Subsidiary Loan Agreement
SOE	Statement of Expenditure
TE	Technical Envoy
TPMOs	Township Program Management Offices
USD	United States Dollar
VIG	Village Implementing Group
VDP	Village Development Plan
VDF	Village Development Fund
WA	Withdrawal Application
WF	Women Federation

**PEOPLE'S REPUBLIC OF CHINA**  
**DABIESHAN AREA POVERTY REDUCTION PROGRAM - 766-CN**

**Mid-Term Review Mission: 6-22 September 2012**

**Mid-Term Review Report**

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

1. The Dabieshan Area Poverty Reduction Program (DAPRP) is financed jointly by the International Fund for Agricultural Development (IFAD) and the Government of Henan province. The total cost for the program was estimated at USD 70.86 million which included an IFAD loan of USD 31.88 million and government counterpart funds of USD 38.98 million. The IFAD loan became effective on 19 August 2009 for a six-year implementation period. The program completion date and loan closing date are set on 30 September 2015 and 31 March 2016, respectively. The program includes three components, i.e. agricultural development and market access, strategic support to the very poor, and program management, and it expects to outreach about 77,000 households in 720 villages of 8 counties in Xinyang prefecture of the province. Objectives of the program are to increase income and reduce poverty of poor rural households in a sustainable and gender equitable way through improved access to markets, services, technology and investment support. Two IFAD annual supervision missions visited the program after its start-up.

2. IFAD Mid-Term review (MTR) mission was fielded to visit the program during 6-22 September 2012. The Mission focused on (i) reviewing the strategic adaptability and effectiveness of the program interventions and their alignment with local development priorities and beneficiary needs in view of the anticipated objectives; (ii) reviewing the institutional performance in management coordination **and** implementation, the quality of conduct of the modules and their activities, the compliance with the loan agreements and follow up to recommendations of the previous IFAD missions, including cross cutting themes such as targeting, participation, gender and knowledge management; and (iii) assessing the appropriateness of adjustments proposed by PMOs to prioritize some program activities against the implementation experiences gained since program start-up and changes happened since appraisal; and (iv) analysing problems encountered during program implementation and providing as-required recommendations for the remaining period of the program. The Mission undertook its tasks through discussions with Department/Bureaux of Finance (DOF/BOFs), program management offices (PMOs) and implementing agencies (IAs). Field visits were conducted in 16 villages and 11 townships of 4 program counties during 10-17 September 2012 in order to capture the details of program implementation and results, while discussions were held with the PMOs and IAs from all eight program counties. Wrap-up meeting for the mission was held in Xinyang on 21 September 2012 with the presence of official representatives from the prefecture PLG and, BOF, PPMO, all CPMOs and the Foreign Capital Project Centre of the State Council Leading Group Office of Poverty Alleviation and Development Office.

3. The Mission would like to express its appreciation for the high level of cooperation and hospitality provided by the Government and the involved institutions at all levels as well as for the contributions of farmer cooperatives, villages and farmers visited during the mission.

**b. Overall Assessment of Project Implementation Progress**

4. *The overall implementation progress for the program is moderately satisfactory (4).* At the end of June 2012, the program reported a cumulative financial delivery rate of 55.5% against the appraisal target. Financial achievements presented by financier were: 57.8% for IFAD loan and 53.6% for

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<sup>1/</sup> The Mission consisted of Mr. Zheng Bo, agricultural development expert; Ms. Cai Kui, Social Development Expert; Mr. Hu Song, Farmer Cooperative and Market Access Expert; and Mr. He Qibin, team leader. IFAD CFS Financial Officer, Ms. Irene Li joined the mission to review the program financial management and provide trainings on financial management to the PMOs and guidance to the mission during 09-20 September 2012. Ms. Han Lei, officer of IFAD Beijing Regional Office, joined the mission to provide trainings on financial management to the PMOs, together with Ms. Irene Li, during 16-20 September 2012.

Government's counterpart financing. Compared with the actual disbursements, the financial investment for IFAD loan stood at about 21% as of 6 September 2012, excluding the authorized amount of USD 3.0 million to the Special Account. The discrepancy between the reported financial achievement and the actual disbursement for IFAD loan was due to the lag between the pre-financing by local governments/farmer cooperatives (Coops) and the processing of related withdrawal applications (WAs) for reimbursements to be effected. The provincial government's financial management strategy requires the local governments and/or implementing agencies (IAs) to advance the program implementation and afterwards reimburse their eligible expenditures by submitting approved claim documents. The reported implementation progress varied greatly between both modules and counties, financially ranging from 44.3% to 105.4% between modules and from 43.5% to 73% between counties. Physically, achievements for most of the program activities were reported at 60-70% against their respective targets. The physical target for the fish pond module was reportedly 100% completed.

5. The Annual Work Plan and Budget (AWPB) for 2011 was reportedly 61% completed in financial term. By module, the best annual achievement was reported for the Capacity Building for Poor Women module, 103% against the planned target, followed by the Technical Envoy and the Cash Crops/Medicinal Plants modules, 97% and 84% respectively. Several modules recorded financial achievements between 33% and 37% against the AWPB. The low financial delivery rate in 2011 was reportedly due to the fund constraints at implementation level as a result of delayed reimbursement of program expenditures incurred as well as the short delivery of government counterpart funds. The semi-annual financial achievement for 2012 was reported at about 48% against the AWPB.

6. The last annual supervision mission and follow-up mission recommended the PMOs, particularly at prefecture level, to strengthen management of program implementation in terms of adherence to program strategy, the quality of module implementation, M&E, and financial management, etc. This Mission observed an expedited reimbursement of program expenditures incurred, which to a certain extent mitigated the fund constraints at implementation level. However, the actual disbursement was still significantly behind the reported achievement of financing. The program management continues focusing on the progress of delivery; inadequate attention was paid to ensuring the quality of module implementation. The implementation of some modules deviated from the program strategy and implementation modalities, such as lack of well-defined responsibilities of implementing agencies whilst entrusting the module implementation to the Coops and particularly in some cases module implementation didn't target the eligible households as designed for poverty reduction. The later would affect the achievement of module objective and consequently the program objectives. Such operation in module implementation should be rectified immediately.

7. Although the PMOs reported that more attention has been paid to the M&E of program implementation in 2012, effective M&E system for the program is not yet in place. Particularly, the lack of an effective data collection, reporting and consolidation mechanism could affect the reliability of program results reported.

Agreed action	Responsibility	Agreed date
PMOs will improve the effectiveness of module implementation towards achieving the objectives, especially in terms of adherence to program strategy and implementation modalities.	PMOs and IAs	Immediately & continuous

### c. Outputs and Outcomes, by Component/Module

8. The program includes two technical components and one management component as follows:
- Component A: agricultural development and market access, which includes modules 1-8.
  - Component B: strategic support to the very poor, which includes modules 9-10.
  - Component C: program management.
9. **Component A-1: Technical Envoy (Module 1).** The PPMO reported an accumulative financial delivery rate of 69% for this module by June 2012 and the financial achievement towards the 2012 AWPB is 36%. Accumulatively, 545 modules have been implemented, of which, 103 modules were implemented in the first half of 2012. The module implementation has covered 294 villages in the 8 program counties, of which, 270 villages are reportedly poverty stricken ones. A total number of 25,642 farmer households has benefited from the module implementation. Totally 411 technical

envoys (TEs) have received refreshing training for the implementation of the module, of which 90 were women. The total number of beneficiary farmers received training from the module implementation has been 63,879 farmers and women accounted for 61%.

10. Module implementation focused on providing technical training and advices to the beneficiaries, at critical stages of farm production in most cases. The module was mostly implemented in tandem with the production modules of the program. Field visits and interactions with beneficiaries indicate that farmers appreciate the technical training and services delivered to them. On-site and hands-on training are particularly appreciated by the beneficiaries. The Mission learns that some TEs in a few program counties, such as Gushi, Xinxian, are now using the tool of field demonstrations as a vector to disseminate novelties of farming to the program beneficiaries. As a result of such efforts, some beneficiary farmers have learnt some new and practical techniques, such as tea production, pig raising and fish culture, to deal with specific farm production issues in the field, which has led to better performance of farm production and income increase of some beneficiary households. The Mission encourages the IAs and the TEs to increase their direct interaction with the beneficiaries in order to enhance their capacity and to achieve the module objectives. *The outputs and outcomes for this module are rated moderately satisfactory (4).*

11. **Component A-2: Economic Trees (Module 2).** Reportedly, the overall financial delivery rate of the module is 68% with 20,512 modules implemented and the achievement towards 2012 AWPB is 81% with 5,858 modules implemented by June 2012. The module has been implemented in 92 villages with a total number of 20,831 beneficiary farmer households; 18,578 of them are reportedly poverty and low income households. As reported by the PPMO, 85 out of the 92 villages involved in module implementation are poor. A total number of 28,747 farmers have been involved in the module implementation, of which, about 57% are women. In total 53 staffers of the IAs received technical training and women accounted for 14%.

12. Module implementation involves tea plantation, camellia, ornamental plants and other local nuts and is carried out by the Coops with the County Forestry Bureau and Tea Industry Office as the alleged IAs. Tea plantation is a big industry in some of the program counties located in the hilly areas. Most young tea plantation and sapling of ornamental plants visited were well established and some started initial production. The Mission noted that there are mainly two modalities for the module implementation: (i) the newly-established tea plantations in most cases were achieved through land use rights circulation. This modality reduced the direct engagement of the program target groups in the module implementation, although it created employment opportunities for beneficiaries working in the tea plantations; (ii) tea growers acquired memberships from tea Coops with their tea land. They would benefit from fresh tea production and value added in processing and marketing by the Coops. In terms of the first modality, the module strategy is yet to be fully followed. The Mission therefore reiterates that the module implementation must adhere to the module strategy towards achieving its objectives and stress the direct engagement of eligible beneficiaries in module implementation. *The outputs and outcomes for this module are rated moderately unsatisfactory (3).*

13. **Component A-3: Cash Crops/Medicinal Plants (Module 3).** The PPMO reported a cumulative financial delivery rate of 68% against the module target and the financial delivery rate towards 2012 AWPB was 38% by June 2012. Cumulatively, 2,820 modules, roughly 333 ha, have been implemented, of which, 420 modules are implemented in 2012. The module implementation has covered 35 villages, of which, 30 are reported as poor. The total number of beneficiary farmer households has reached 4,165, and 3,562 of them are reported as poor and low-income categories. The number of beneficiaries participated in module implementation is 4,375 and 58% of them are reportedly women. In total 18 staffers have received technical training, including 3 women. Technical training has been provided to 5,298 farmers in which women accounted for about 55%.

14. The implementation of cash crops and medicinal plants has diversified farm production and beneficiary farmers' income sources and helped contribute to beneficiaries' income growth through enhanced land and labour productivity. Beneficiary farmers acknowledged the relevance and usefulness of the technical trainings delivered by the TEs and involved Coops. CPMOs and IAs reported good economic return to the module beneficiaries. The Mission recommends the IAs and CPMOs to make greater efforts to facilitate full participation of the beneficiaries in the process of production and capacity building of beneficiaries for sustainable development beyond the implementation. *The outputs and outcomes for this module are rated moderately satisfactory (4).*

15. **Component A-4 & A-5: Pig Raising and Poultry Raising (Module 4 & 5).** As reported by the PPMO, the cumulative financial delivery rate of the pig raising module was 48% and the financial

achievement towards 2012 AWPB was 31% by June 2012. In total 6,764 modules have been implemented since start-up of the program implementation, of which, 948 modules were implemented first half of 2012. Cumulatively, the module has been implemented in 78 villages, of which 75 are rated poverty-stricken. The total number of beneficiary farmer households for the module reached 4,595; and 4,141 of them are categorized poor and low-income. Totally 6,800 farmers were reportedly directly involved in the module implementation and 58% of them were women. A total of 59 staffers of the IAs have received refreshing training and women accounted for 31%. Technical training has also been delivered to 5,237 farmers, of which, women accounted for about 46%.

16. The financial achievement of poultry raising module towards 2012 AWPB is reported at 49% with 553 modules implemented. The cumulative financial delivery rate by June 2012 was reported at 66% against the total target with 4,965 modules implemented. The module implementation has reached 91 villages, 79 of them were reported as poor villages, and it covered 4,915 farmer households, of which, 4,393 were categorized as poor and low income. The number of beneficiaries is reported at 6,743 farmers and women accounted for 58%. A total of 40 staffers received updated training, of which, women accounted for 40%.

17. Both modules are implemented by the Coops with limited involvement of the supposed IAs. Field visit and discussions with the supposed IAs, involved Coops and farmer beneficiaries indicate the implementation of the modules has contributed to increase income of beneficiaries. However, it is observed that there are some cases in which the direct participation of the poor is less pronounced in some villages. As reported by the IAs and the involved Coops, some farmers dropped out from pig and/or poultry production after completing the first production cycle. The Mission recommends the IAs and CPMOs to make extra efforts to improve the targeting and sustainability of the module implementation. *The outputs and outcomes for both modules are rated moderately satisfactory (4).*

**18. Component A-6 & A-7: Fish Pond and Rice Fish (Module 6 & 7).** The PPMO reported a financial achievement of 105% for the fish pond module towards 2012 AWPB with 96 modules implemented and the cumulative financial delivery rate was 100% with 576 modules implemented by June 2012. The module has been implemented in 18 villages of three program counties and all the 18 villages are reported as poverty-stricken ones. The module implementation has reached 669 households; 531 of them are reported as poor and low income households. Direct beneficiaries for the module were 949 farmers, of which, about 55% were reportedly women. A total of 15 staffers of the IAs have received training through implementation of the module. A total of 998 beneficiary farmers received technical training in the module implementation, women accounted for about 58%.

19. The PPMO reported financial delivery rate of about 9% for the rice fish module towards the 2012 AWPB with 15 modules implemented and the cumulative financial achievement of about 69% against the module target with 265 modules implemented by June 2012. The module implementation reportedly covered 11 poor villages in three program counties, benefiting 265 farmer households and 229 of them rated as poor and low income. The total number of direct beneficiaries participated in the module implementation is 336, women accounted for about 57%. Refresher training has been provided to 11 staffers of the IAs and technical trainings offered to 320 beneficiary farmers, 62% of the farmer trainees were women.

20. The fish pond module aims to increase the productivity and income of poor farmer households through the promotion of fish farming: (i) enhanced fish pond farming for poor farmers with user rights to fish ponds, but who do not exploit their full potential because of a lack of means and skills; (ii) reservoir fisheries that will promote cage culture in reservoirs accessible to the rural poor. The fishpond module would focus on the availability of fishponds whose owners are poor and cannot afford the required investment for a normal rate of production; the rice fish module promotes the rice-fish system for farmers who own a paddy rice field but having limited or no access to local water bodies or have no user rights. However, the Mission noted with concerns that the objectives and strategy of the fish pond module as designed are overlooked without justification in some program counties such as Xixian and Huangchuan, the module support ended up at the involved Coops with broken direct linkage with the target groups. In other word, the module implementation in some cases has targeted the Coops for industrial development instead of targeting the eligible households for poverty reduction, which would affect the achievement of module objectives. The Mission strongly recommends that the PPMO and CPMOs make all possible efforts to redress the issue and ensure that implementation of the fish pond module will strictly follow the module strategy towards achieving the module objectives, emphasizing the direct participation of eligible target groups. *The outputs and outcomes for both modules are rated moderately unsatisfactory (4).*

**21. Component A-8: Market Access through Cooperative Strengthening (Module 8).** *The outputs and outcomes of this module are rated moderately satisfactory (4).* Progress has been made reflecting more than half of the financial and physical targets. By June 2012, CNY 48,304,000 has been spent on the designed activities to support the farmer cooperatives, accounting for 51.7% of the overall budget CNY 93,791,460 for the module. 113 Coops in the eight program counties have received project supports, benefiting 54,530 farmer members. Targeting and gender strategies are well performed. A total of 6,671 farmer households have benefited from the delivery of module, of that, 3,072 were poor and 2,980 were low income categories, representing 91% of the total. Among the 31,406 farmers directly participated in the module, 18,939 were women accounting for 60% of the total. However, there are some operational issues to draw project management's attention on how the Coops can better help the poor farmers out of poverty in a sustainable manner: (1) the governance of Coop is well written on paper but not actually performed well. Poor farmer members have little voice of the Coop commonly dominated by a few better-off farmers or large agribusiness firm. In addition, There is inadequate transparency of management and business operation. The concern is raised whether the assets acquired by Coops through the program can be shared by the members; (2) there is a conflict of interest when the project supports a Coop which sells inputs to its members for commercial interest. Such approach may mislead the Coop to recruit poor farmers for short term interest while farmers have limited choice on the quality of supplier; (3) the farmer Coops are expanding rapidly with the supports of the program but the capacity of the Coops as value added service providers to their members especially with regard to marketing is not matched. The concern is drawn that the farmer members may walk away and stay poor after the project supports are ended.

22. Recommendations for improvement of the module performance include: (i) the governance of Coops should be improved to increase the voices of farmer members especially the poor through training and expert consultancy; (ii) the ownership of program-supported assets dedicated to the Coops should be clearly verified and made aware to all members of the Coops; (iii) the program should revisit the approach of engaging Coops as the IAs to avoid any conflict of interest and empower farmers with the decision making to choose the supplier; (iv) the program should put more efforts to strengthen the capacity of agribusiness management through training and technical consultation not limited to local experts as well as market studies, linkage and trade promotion. (v) since 60% of the participants for the module are women, the project should strategically include Coop management training in the capacity building for poor women to increase their awareness on the rights and commitments as Coop members.

**23. Component B-1: Village Development Funds (Module 9).** This module is designed to incorporate with the government poverty reduction project, namely "Integrated Village Advancement Program" (IVAP) implemented by the Poverty Alleviation Office (PAO), address the need for continued investment of village level access to public facilities and infrastructure by following highly decentralized and participatory approach. Reportedly, the module has been implemented in 59 villages, reaching 73.8% of its physical target and 72.5% of financial target by June 2012. The Mission however, noted that these reported figures remain to be further validated. County PAOs are undertaking the responsibilities of the module implementation by integrating it with IVAP, although the PMOs reported to the last supervision mission about difficulties in coordinating with the PAOs for the module implementation. The module implementation has focused on the construction and/or improvement of village roads, which might have been limited by the activities of IVAP in the program counties where village roads are regarded as the priority of the poor villages. The last supervision mission noted that the module implementation mainly stressed the delivery of outputs, the module objectives of value-added to IVAP, such as community participation and collective consultation etc. were not given due consideration, and recommended the MTR mission to review the effectiveness of this module's adherence to the overall program strategy and objectives, and consider reallocation if justifiable. This mission observed no significant improvement on the performance of module implementation. Nevertheless, it is noted that the inappropriate performance of implementation might have resulted from the poor understanding of the module objectives by the PMOs and IAs. Most of the county PAOs are not adequately aware of the module strategy and implementation requirements, with Shangcheng County as an exception. Regarding the usefulness of improved access of farmers in the poor villages to infrastructure, the Mission strongly recommends that the PMOs should consult with the involved PAOs to improve the module implementation, paying sufficient attention to promote community participation and collective consultation in module implementation with the aim of enhancing the capacity of the villages in participatory planning for community development. In addition, maintenance and operation groups and mechanism need to be established and developed in



the beneficiary villages for the sustainability of program-built infrastructure. *The outputs and outcomes of the module are rated moderately unsatisfactory (3).*

**24. Component B-2: Capacity Building for Poor Women (Module 10).** The module aims at enhancing the capacity of poor women to improve their livelihoods through on-farm and off-farm skill training. Reportedly, implementation of the module has trained 6,363 women in 169 villages, accounting for 79.5% of total beneficiaries and 84.5% of total villages expected for the module. Cumulative financial achievement was reported at 44.3%. All women visited in the field highly acknowledged the trainings provided by the program. Some women increased their income through increased production after participating in on-farm skill trainings, such as rice, peanut, tea, pig and chicken production; while off-farm skill trainings, such as vehicle driving, pig bristle processing, and housekeeping, etc. contributed well to increased income of women. Functional literacy training is also appreciated by the women, which involves healthcare, family education, etc. In addition, the capacity of Women Federations (WFs) is also being improved by participating in the program. *The outputs and outcomes of the module are rated moderately satisfactory (4).*

25. On-farm training activities for this module were discontinued in many counties after the last supervision mission's visit to the program due to the PMO's misunderstanding of the mission's recommendation. The current mission recommends that: (i) on-farm training for poor women should be resumed to meet their needs, but avoiding overlap with the training under Component A; (ii) flexible schedule and training method will be adopted to improve the effectiveness of the training activities.

Agreed action	Responsibility	Agreed date
IAs and the TEs will increase their direct field interaction with the beneficiaries in order to enhance their capacity and to achieve the objectives of the technical envoy module.	CPMOs, IAs and TEs	Immediately & continuous
The implementation of economic trees module will stress direct engagement of eligible beneficiaries in module implementation.	CPMOs and IAs	Immediately & continuous
For the cash crops/medicinal plants module, ensure full participation of the beneficiaries in the process of production and capacity building.	CPMOs and IAs	Immediately & continuous
For pig raising and poultry raising modules, improve the targeting and sustainability of the module implementation.	CPMOs and IAs	Immediately & continuous
For the fish pond module, make all possible efforts to redress the inappropriate operation of the module implementation and ensure that implementation of the fish pond module will strictly follow the module strategy towards achieving the module objectives, emphasizing on the direct participation of eligible target groups.	PPMO, CPMOs and IAs	Immediately & continuous
For market access module: (i) the governance of Coops will be improved to increase the voices of farmer members especially the poor through training and expert consultancy; (ii) the ownership of program-supported assets dedicated to the Coops will be clearly verified and made aware to all members of the Coops; (iii) the program will revisit the approach of engaging Coops as the IAs to avoid any conflict of interest and empower farmers with the decision making to choose the supplier; (iv) the program will put more efforts to strengthen the capacity of agribusiness management through training and technical consultation not limited to local experts as well as market studies, linkage and trade promotion. (v) since 60% of the participants for the module are women, the project will strategically include Coop management training in the capacity building for poor women to increase their awareness on the rights and commitments as Coop members.	PPMO, CPMOs and IAs	Immediately & continuous

<p>For VDF module: PMOs will consult with the involved PAOs to improve the module implementation, paying sufficient attention to promote the community participation and collective consultation in module implementation with the aim of enhancing the capacity of the villages in participatory planning for community development; maintenance and operation group and mechanism will be established and developed in the beneficiary villages for the sustainability of program-built infrastructure.</p>	<p>PPMO, CPMOs and IAs</p>	<p>Immediately &amp; continuous</p>
<p>For the capacity building for poor women module: (i) on-farm training for poor women should be resumed to meet their needs, but avoiding overlap with the training under Component A; (ii) flexible schedule and training method will be adopted to improve the effectiveness of the training activities.</p>	<p>PMOs &amp; WFs</p>	<p>Immediately &amp; continuous</p>

#### d. Project Implementation Performance

26. **Project management performance.** The program management framework is established in conformity with the program Loan Agreement, including the Program Coordination Office at province level (PPCO), Program Leading Groups and Management Offices at prefecture and county levels (PLGs and PMOs), township PMOs and Village Implementing Groups (VIGs). As a result of follow-up to the recommendations made by the previous missions, the CPMOs are staffed appropriately and their performance is being improved. This is largely attributed to the coordination meeting held by the prefecture PLG in July 2012, in which the problems on the CPMOs' staffing and operational costs were well addressed. The Mission recognised the efforts made by the prefecture PMO (PPMO) since the last supervision mission's visit to the program. As a key unit for the program management however, the PPMO is supposed to undertake the overall responsibility for guiding the county PMOs (CPMOs) in the program implementation, including planning, implementation strategy and modalities, M&E, reporting, financing and reimbursement of expenditures incurred. Results from discussions indicate that the PPMO is performing but insufficient in guiding the program modules' implementation at county level in terms of strategies and modalities, including targeting.

27. Reportedly, VIGs are established in all program villages and each VIG consists of 8-12 persons, including the Village Committee members and a good share of farmer representatives from different household categories of well-being. The VIGs reportedly participate in the program M&E by recording and reporting the activities and participation of beneficiaries in the program activities implemented in the villages in addition to assist the implementing agencies (IAs) and Coops in the identification of prioritized activities and eligible target groups through household well-being categorization, organization of technical training and the delivery of program materials. Field visits indicate that the performance of VIGs varies greatly between villages. Some VIGs visited were not able to carry out the mentioned tasks due to either inadequate knowledge of the requirements or poor capacity.

28. Implementation arrangement for the program reportedly follows the designed strategy, while modification is made for the implementation of the production modules. Implementation of all the production modules, modules 2-7, was entrusted to relevant Coops through signing a trust deed between respective IAs and Coops. As described by the follow-up mission of March 2012, this modified implementation arrangement has both strength and weakness. Its main strength includes (i) provision of relatively effective technical services to their members in terms of improving production technologies and products quality; (ii) linking the production of membership to markets; (iii) potential for an exit strategy. Its weakness includes (i) limited outreach to the program target groups; (ii) profit-oriented and little sharing of operational profit with membership; (iii) limited transparency of operation at the current stage. The same mission also noted that the trust deed signed by between the IAs and Coops neither clarified the responsibilities of both parties nor defined adequately the specific requirements of modules' implementation. The Coops were requested to report directly to the county PMOs on the status of modules' implementation, skipping over the IAs. The Mission therefore recommended improving the trust deeds signed between the IAs and Coops to clarify the responsibilities of both parties and well define the specific requirements for modules' implementation, aiming at benefiting the module target groups. The Coops should report directly to the IAs on the status and results of implementation in order to strengthen the responsibility of IAs in ensuring the quality and effectiveness of the modules' implementation towards to achieving the objectives on the one hand and enhance the institutional and technical sustainability of the program on other hand. Discussions indicate that the PPMO requested the CPMOs to directly entrust the modules

implementation to the Coops without involvement of the IAs, reportedly due to misunderstanding the last mission's recommendation as a result of unavailability of the last follow-up mission report from IFAD. Field visits indicate, however, that in most of the counties implementation of those modules is delegated to the IAs that further entrust their implementation to the Coops by signing implementation agreements/deeds. This inconsistency between the PPMO's desire and the CPMOs operation might have resulted from the different understanding of the recommendation made by the last mission. In this regard, this mission emphasizes that the recommendation made by the last follow-up mission continues valid and that the IAs should undertake the responsibilities for ensuring the quality of those modules implementation even if they are entrusted to relevant Coops.

29. Reportedly, the development of program's AWPB is demand-driven and engages relevant IAs and Coops. However, it is noted that the unit cost of program modules and activities adopted for the last AWPB in most cases simply followed the estimate in the Appraisal Report developed in 2008; hence it didn't reflect the actual situation such as the differences between counties and the inflation of prices. This has caused some difficulties to the implementation level. It is therefore recommended that the unit cost of program activities should be estimated based on up to date prices when formulating the coming AWPBs by following respective adjustment rules of modules as described in the design documents.

30. The PMOs have not paid as-required attention to promoting the understanding of program strategy and implementation modalities, among themselves and among the IAs and service providers - Coops. This is reflected by the pursuance of financial delivery without well following the module strategy and approaches in implementation, conducting appropriate M&E and knowledge management. *The program management performance is moderately unsatisfactory (3).*

31. **Monitoring and evaluation (M&E).** The performance of the program M&E is *moderately unsatisfactory (3)*. An M&E system has been established for the program and is functioning from the PPMO level through to the CPMO, TPMO, and VIG levels, with M&E officers having been appointed at each level. However, field visits and discussions indicate that the effectiveness of the data collection, reporting and consolidation of the designed M&E indicators need further improvement. It is nevertheless encouraging to note that the VIGs are reportedly participating in the program M&E by regularly recording and reporting the gender disaggregated participation of beneficiaries in program activities, although evidence for this needs further validation. There is also need for more appropriate use of M&E results to guide program planning and implementation. For this the PMOs need to make more effort in building the capacity of the M&E officers at all levels so as to improve the reliability and consistency of program data reported, and start effectively using the Results and Impact Management System (RIMS) indicators for their intended purpose as designed by IFAD.

32. The program carried out a mid-term RIMS and benchmark survey in early 2012 to assess the outcomes and impact of the program. The Chinese version of the survey report was made available to the mission, although the final English version of it has not yet been submitted to IFAD. The Mission provided some preliminary guidance for improving the quality of the report, which was low and missing some important outcome/impact indicators like the third level RIMS indicator "*number of households with improvement in household asset ownership index*" and the *number of households with food security improvement*. The weakness of the report was due to the weak capacity of PMOs staff in analysing survey data, thus undermining the usefulness of the survey data collected. The Mission recommends the PPMO to improve the mid-term survey report and submit it to IFAD.

33. **Gender focus.** Implementation of the program is gender sensitive, hence it is *rated satisfactory (5)*. Reportedly, the overall percentage of women beneficiaries, who directly participated in program activities, was 50.4% at the end of June 2012; for farmer technical training the proportion reached 58.9% and for staff training 47.4%. The capacity building for poor women module, which was specifically designed for women, targeted women well, at 100%. In this regard, the gender focus strategy of the program seems well understood by all stakeholders. The Women Federations (WFs) are reportedly taking up more responsibilities in supporting the poor women through the implementation of module 10 and the training activities of other modules. Field visits confirm that the program has helped some rural women in increasing their income through skill training.

34. **Poverty focus.** Based on available data from the PMOs, the program implementation well targets the poor. Between 80% and 100% of the beneficiary villages were reported as poor ones and more than 85% of the beneficiary households as poor and low income categories, although some figures reported contradicted each other. In most cases, results from the mission's field visits and discussions support above reporting. However, it is also noted that implementation of the production modules in

some cases didn't well target the potential beneficiaries as designed. In this regard, the IAs would need to strengthen their responsibilities on monitoring and supervision to ensure the eligible targeting while entrusting modules' implementation to the Coops. *Poverty focus of the program is rated moderately satisfactory (4).*

**35. Effectiveness of targeting approach.** Targeting of the program started at design stage. The participating townships and counties were identified and agreed by IFAD at program design. Targeting at village and household level continues by the CPMOs and IAs with the assistance of VIGs during program implementation. In many cases the VIGs play an important role in selection of eligible households for the program activities through household categorization of well-being. Targeting approach for the program is effective and *rated moderately satisfactory (4)*. Results are summarized as in the following Table.

Target group "category"	Appraisal target (No. of beneficiaries to be reached at completion)	Total number reached so far (cumulative)	
		Total number	Of which, women
Poverty households	n/a	17,082 (42.7% of total)	n/a
Low income households	n/a	16,925 (42.4% of total)	n/a
Other households	n/a	5,943 (14.9% of total)	n/a
No. of beneficiaries	300,000; of which women at least 50%	96,732 (32.2% of target)	48,754 (50.4% of total)

**36. Knowledge management.** *Innovation and learning of the program is rated moderately unsatisfactory (3).* Knowledge management for the program is performing mainly in the way of cross-project visits and workshops/meetings organised by the PPMO. The capturing and disseminating of lessons learnt in program implementation perform insufficiently, although some successful cases have been documented by the CPMOs. No innovation can be attributed to the program at this stage. All PMOs should strengthen the documentation of lessons learnt and successful stories and share them with all stakeholders including relevant management units, IAs and Coops to improve the program planning and implementation, particularly share them cross-counties.

**37. Partnerships.** Implementation of the program has built a partnership with the government-financed T-bond biogas development program that is complementary to each other with the Pig Raising module of DAPRP. DAPRP makes use of the technical resources of the program to scale-up the construction of biogas systems in the program areas where they are needed. The maintenance of biogas systems built by DAPRP is incorporated into the service network established by the national program. Partnership with other projects or institutions might include the Technical Envoy System operated by the Bureau of Science and Technology and the national Village Advancement Poverty Reduction program operated by the Poverty Alleviation Offices, although results are yet to be demonstrated.

**38.** The partnership between CPMOs/IAs and the Coops continues remaining ambiguous. Some CPMOs regard the Coops as service providers which are implementing the production modules entrusted by the IAs, while some CPMOs take them as IAs and directly entrust them with the implementation of the modules. The Mission recommends the PPMO to clarify with all CPMOs about this ambiguous partnership by following the Loan Agreement of the program.

Agreed action	Responsibility	Agreed date
The PMOs will improve their capacity and strengthen their roles on guiding the program implementation to ensure the adherence of modules' implementation to the program strategy towards to the achievement of program objectives.	PPMO & CPMOs	Immediately & continuous
Further capacity building will be provided to VIG members in order to improve their capacity and performance in carrying out their	CPMOs	End of Nov. 2012

roles in the program implementation.		
In counties where the implementation of the production modules, modules 2-7, is entrusted to the Coops, trust deeds will be signed between the IAs and Coops to clarify the responsibilities of both parties and well define the specific requirements for modules' implementation. The Coops will report directly to the IAs which undertake the responsibilities for ensuring the quality of those modules implementation.	PPMO, CPMOs & IAs	End of Nov. 2012
PMOs will establish an effective mechanism for collection, reporting and consolidation of M&E data based on the nature of the designed indicators and further capacity building will be provided to the M&E officers to improve the reliability and consistency of program data reported.	PPMO and CPMOs	End of Oct. 2012
PPMO will improve the mid-term RIMS survey report and submit it to IFAD.	PPMO	End of Oct. 2012
PMOs will strengthen the documentation of lessons learnt and successful cases and share them with all stakeholders including relevant management units, IAs and Coops to improve the program planning and implementation.	PPMO and CPMOs	Immediately & continuous

#### e. Fiduciary Aspects

39. **Financial management.** An improved efficiency of financial management is noted in 2012, reflected in the expedited reimbursement of program expenditures incurred, which mitigated the fund constraints at implementation level. More frequent preparation and submission of claim documents by the CPMOs are observed. This could be partly attributed to the decentralization of the review of expenditure receipts to the county BOFs in the process of claim document preparation and partly to the improved management of program accounting. The quality of claim documents prepared by the CPMOs is being improved as a result of capacity building for PMOs' financial officers and strengthened supervision by the program Management. Despite of the improvement, the actual disbursement of the IFAD loan largely lagged behind the reported financial achievement; the discrepancy reached about USD 11.6 million. In addition, the 2012 audit report points out that there was about CNY 32.57 million short delivery of counterpart financing to the program in 2011.

40. Based on the information obtained during visits and interviews, the Mission approved of the Gushi County PMO, which maintained satisfactory up-to-date financial records of transactions and produced timely and reliable information. As for the other counties visited, however, the Mission discovered the following issues: (i) the program does not use a computerized accounting system. The financial records were maintained in hard paper format; (ii) some accounting staff in PMOs lack basic understanding of financial management concepts and need further training to perform their tasks effectively. Original documents for disbursements were kept in the IAs, but the reimbursements were processed in the PMOs. Invoices settled by PMOs were not stamped as paid and one of the PMOs did not even keep a copy of the documentation; (iii) No consolidated financial reports were available. The Mission recommended that the PPMO should coordinate the CPMOs and provide proper guidelines and procedures for project financial management, enhance the soundness of financial management procedures and implement strict controls at all levels. The Mission urged the PPMO to impose strict procedures to facilitate implementation of all required financial management and reporting activities, monitoring and evaluation practices, operational guidelines, job descriptions and communication processes at prefecture, country and IAs/Coops levels.

41. *Special Account (SA):* The Special Account (SA) was not replenished regularly. Only four withdrawal applications (WAs) were made in the past three years from 19 September 2009 (the Project's effectiveness date) to 31 August 2012, for an overall amount of USD 9.8 million, a figure that includes the initial advance payment. The average amount per WA was of USD 2.45 million. The balance of the Special Account stood at about USD 1.2 million as of 31 August 2012. The pending payment requests amounting to USD 3.35 million submitted for reimbursement from the PMOs could not be fully funded from the SA. Monitoring the SA on a regular basis is crucial to ensure early detection of depletion of funds. The Mission advised that the CPMOs should submit payment requests

to the PPMO at monthly intervals for payment processing, to ensure the smooth and efficient flow of funds. It is recommended that the SA be replenished regularly (e.g. once 20% of the initial deposit is used, or at intervals of 2-3 months).

42. *Pro forma Invoice*: The Mission learnt that the provincial DOF and Audit Department approved the use of special purpose (pro forma) invoices as evidence of expenditures in the program implementation. To date, about USD 2.4 million were supported by the *pro forma* invoices (20%) as illustrated in appendix 3D. After reviewing several cases involving *pro forma* invoices, the Mission recommended that PPMO in association with prefecture BOF should coordinate the county PMOs and BOFs to review all the *pro forma* invoices supporting the payments incurred. After the review, the PPMO together with prefecture BOF should establish a practical implementation details. Results should be reported to IFAD, including but not limited to (i) the consistency of using the *pro forma* invoices with relevant national tax legislation and accounting regulations; (ii) the appropriateness of the *pro forma* invoices incurred; (iii) threshold of using *pro forma* invoices, if applicable; (iv) mechanism of monitoring the usage of *pro forma* invoices.

43. *Withdrawal Applications (WAs) and SOEs*: Spot checks were conducted on the financial management documents maintained by the PPMO, CPMOs, IAs and Coops. The original supporting documents for withdrawal applications, such as invoices, were kept by the relevant IAs/Coops, and the CPMOs kept copies of such supporting documents and a summary sheet of the payment requests submitted to the BOF for records. The Mission noted, however, that one county neither conducted the review nor kept any copy of the supporting documents.

44. Almost all project expenditures were below the SOE thresholds. Thus, the invoices were only reviewed by BOFs and PMOs at county level. The PPMO and the BOF authorized the payments based on the summary sheet. The Mission's sample checks of Statement of Expenditure (SOE) documents revealed that (i) the scrutiny of supporting document and verification of expenses eligibility, as well as services and goods delivery, should be further enhanced at county level (BOFs and PMOs), under supervision of the PPMO and prefecture BOF.

45. The Coops were contracted to provide goods and services for beneficiaries for all the production modules, in addition to the implementation of the market access module. The Mission randomly reviewed and checked some transaction records. The Mission noticed that in the goods and services register tables, there was only a list of recipient names but with one signature for many good-recipients. It was clear that one person signed on behalf of all others. The Mission, together with the PPMO, designed a template which requires provision of the identity number and contact information of all recipients. Given that a significant proportion of the program funds are incurred at Coops level, financial management of the Coops is critical to the accountability of program resources. The capacity and adequacy of accounting and internal control systems are relatively sub-standard. It is recommended that the CPMOs and county BOFs should enhance their scrutiny of disbursement requests while providing guidance to the Coops for their improvement.

46. Based on the above findings, *financial management of the program is rated moderately unsatisfactory (3)*.

47. **Disbursement**. To date, the 3 year implementation period has elapsed. Overall, the accumulative disbursements applied to eligible expenditures by IFAD are in the amount of USD 6.8 million (excluding the USD 3 million advanced to the Special Account) against the approved amount of about USD 31.9 million. The actual disbursement is only approximately 21% of the total loan proceeds. In accordance with the IFAD Corporate Project Disbursement Profile (PDP), the disbursement rate should by now have reached 43% of the total approved program cost. The disbursement rate of 21% only represents 49% of the PDP benchmark of 43% and *is rated unsatisfactory (2)*.

48. The PPMO received several requests for payment from PMOs in the amount of approximately USD 5.16 million as at 31 August 2012, as illustrated in Appendix 3. The slow disbursements were mainly due to the following: (i) processing delays at CPMOs; (ii) uncertainty in validating counterpart funds for the program; (iii) weak capacities at some CPMOs; and (iv) infrequent submission of payments requests at CPMO level. It is recommended that from now on, monthly submissions of payment requests be issued by counties.

49. **Counterpart funds**. The Mission was informed that following an agreement between the local authorities and a joint IFAD (including the Country Program Manager and the Country Program Officer for China) and Ministry of Finance (Section Chief, International Financial Institutions Division III, International Department) mission the concerned prefecture and county governments will incorporate

the program modules into local governmental development activities/projects to ensure the availability of counterpart financing (see aide memoir of the 19-28 March 2012 Follow-up Mission). The issues related to the delayed allocation of counterpart funds had been raised earlier by auditors in their management letters of 2010 and 2011. The PPMO, together with the prefecture BOF and the provincial DOF and Audit office, have now developed a method for validating the in-kind support or complementary government investment through parallel projects. This method was approved (Policy Paper No. 54 [2011]) by the Provincial Authorities and became effective on 19 October 2011. Thus, the counterpart funding will consist of both cash and investment through parallel projects. The Mission visited three counties. The Mission was pleased to note that the counterpart funds for Gushi county were received in cash contributions by the CPMO in good order. However, for some counties, the application of the government investment through parallel projects remains to be processed and clearly attributed due to slow processing of available information. Therefore, some of the details of counterpart funds were factored into Appendix 3E during the Mission, but their accuracy is yet to be validated. *Counterpart financing of the program is rated moderately unsatisfactory (3).*

50. The counterpart funding envisaged for the program as illustrated in Appendix 3E is in the amount of about Yuan 78,930,646 (USD 12.5 million) for the accumulative expenditures borne by the Government. So far, cash contributions from the Government were estimated to be in the amount of Yuan 44,411,721 (USD 7.049 million). According to Policy Paper No. 54, additional counterpart funds through parallel projects amounted to about Yuan 34,270,923 (USD 5.4 millions). The total government contributions in cash and in kind have reached a total of Yuan 78,682,644 (USD 12,489,309). This leaves a shortage of about Yuan 248 002.58 (USD 39 thousand).

51. The Mission noted that the process of identifying the government counterpart contribution from parallel government funded project investments will need to be better clarified and simplified. The PPMO should therefore provide appropriate guidance to the counties and the prefecture authorities on this, so as to ensure the reliability of the reported counterpart fund mobilization.

52. **Compliance with loan covenants** is *moderately satisfactory (4)* given that out of the 31 loan covenants, 25 have been fully complied with, 4 have been partially, and 2 are still not due (details are shown in Appendix 4). The project is currently working on resolving the bottlenecks to the sufficiency and timeliness of counterpart funds delivery which is the main reason behind those covenants scored as partially fulfilled.

53. **Procurement.** The program prepared and submitted in a timely manner a procurement plan and an AWPB to IFAD and received no objection. The Mission checked procurement documents at random and noted a delay in only vehicle purchases for the PMOs, since the government has restricted all vehicle purchases throughout the country. Consequently, the procurement of vehicles could not be honoured, albeit for reasons beyond the program's control. The Mission informed the PPMO that if the purchase of vehicles are delayed for too long, their eventual purchase may become redundant and risk not being approved by IFAD.

54. The main items procured were material and training inputs under the various modules, which were carried out satisfactorily without much difficulty. Direct procurement methods, including direct contracting and local shopping, were the most common methods used. However, all the implementing parties responsible for such procurements should be requested to maintain the required documentation and information, such as quantity and unit cost, and receipts of purchase of such goods/services. This will avoid lengthy spot checks by IFAD, if and when required, and audits of all program-related procurements.

55. The PPMO and some CPMOs maintain fixed asset records showing the description, location, and cost of all project assets. It is recommended for them to also label and record the depreciated value wherever possible. A physical verification of assets was not conducted. It is recommended that the PPMO and CPMOs maintain consolidated assets registers and conduct an annual physical verification of assets.

56. **Audit.** The 2012 audit report for the fiscal year of 2011 was submitted to IFAD within the time period specified in the Financing Agreement. The Henan Provincial Audit Office conducted the audit by using ISA and Government Auditing Standards of the Government. The Auditors expressed an unqualified opinion on the financial statements. However, there were several internal control issues identified by the auditors such as: (i) delayed allocation of counterpart funds in the amount of CNY32.566 (approximately USD 5.1million); (ii) slow project implementation; (iii) issues related to the accounting standards used and weak financial management in CPMOs. The PPMO reported that these issues have been addressed by the Government.

Agreed action	Responsibility	Agreed date
PPMO and prefecture BOF will coordinate the CPMOs and county BOFs and provide proper guidelines and procedures for project financial management, enhance the soundness of financial management procedures and implement strict controls at all levels, and PPMO will impose strict procedures to facilitate implementation of all required financial management and reporting activities, monitoring and evaluation practices, operational guidelines, job descriptions and communication processes at prefecture, county and IAs/Coops levels.	PPMO, prefecture BOF	End of Nov. 2012
PPMO in association with prefecture BOF will coordinate the county PMOs and BOFs to review all the <i>pro forma</i> invoices supporting the payments incurred. After the review, the PPMO together with prefecture BOF will establish a practical implementation details. Results will be reported to IFAD, including but not limited to (i) the consistency of using the <i>pro forma</i> invoices with relevant national tax legislation and accounting regulations; (ii) the appropriateness of the <i>pro forma</i> invoices incurred; (iii) threshold, of using <i>pro forma</i> invoices, if applicable; (iv) mechanism of monitoring the usage of <i>pro forma</i> invoices.	PPMO	End of Nov. 2012
The Special Account will be replenished regularly (e.g. once 20% of the initial deposit is used, or at intervals of 2-3 months)	DOF, PPMO	Immediately & continuous
The program will enhance the scrutiny of supporting document and verification of expenses eligibility, as well as services and goods delivery.	CPMOs, PPMO, and BOFs	Immediately & continuous
Monthly submissions of payment requests be issued by counties.	CPMOs	Immediately & continuous

#### f. Sustainability

**57. Institutional sustainability.** The program is implemented by existing government technical agencies at county level responsible for supporting the program-related activities in the program area. Thus, the program is fully embedded in local structures there-by laying a good foundation for the sustainability of its activities and benefits.. The inclusion of village committee members in the program VIGs' composition will further improve their capacity and ownership of the program activities, which will provide further assurances for the continuation of the supported village development actions even after the program ends. The implementation of the production modules are entrusted to the Cooperatives, which is also likely to facilitate the sustainability of production and value adding activities promoted by the program,. The program will, however, need to work towards ensuring the Cooperatives would continue serving the newly-recruited program beneficiaries after the module implementation is completed. This can be done by focusing on building the capacity of both the Cooperatives and the new members to ensure the partnership is mutually beneficial. In addition, operation and maintenance groups and mechanism should quickly be formalised for the use of the community works such as village roads. *Institutional sustainability for the program is rated moderately satisfactory (4).*

**58. Social sustainability (Empowerment)** of the program is rated *moderately satisfactory (4)*. The program is supporting the rural farmer households to enhance their livelihoods through improved food security and increased income. The program activities are highly appreciated by local farmers and have contributed to improving their skills and production. Reportedly, 77,990 farmers have received various technical trainings from the program, of which women account for 58.9% of the total. Enhanced capacity of the beneficiaries would be a potential for sustainable development. Nevertheless, the program needs to further increase the transparency of operation, particularly in terms of the module activities and the selection of eligible beneficiaries, which would contribute to increasing the program's social sustainability.

**59. Economic and financial sustainability** largely depends on two factors: self-financing capacity of beneficiaries and external financial support. Increased income and improved livelihoods of the beneficiaries through participating in the program activities would have enhanced their self-financing capacity for sustainable development. The program support to market access through Coops



strengthening would enhance the resilience of beneficiaries to market changes, while contributing to the local economy through industrial development. The Government benefiting from the developed economy would in turn increase its financing to further developing the rural economy, in addition to the increasing financial support to poverty reduction. *Economic and financial sustainability of the program is moderately satisfactory (4).*

**60. Technical sustainability.** Updated training for technical agents of the government technical agencies, the program IAs, is included in all the program modules. By June 2012, totally 2,552 technical agents were reportedly trained by the program and 47.4% of them were women. Meanwhile, those agents also receive trainings on updated technologies with the support of government projects. New technologies and practices are always pursued by the agencies and also the Coops for market-oriented production. Sustainable technical services to the program beneficiaries are foreseeable, although the effectiveness of services provided by those technical agencies remains to be further improved. Inclusion of the Coops in the program implementation might provide a potential to improve the effectiveness of technical services, although currently the Coops mainly serve their members with limited outreach to the poor. In this regard those program beneficiaries without membership of Coops deserve more attention from the IAs, government technical agencies. *The program technical sustainability is rated moderately satisfactory (4).*

**61. Environmental sustainability.** Many of the program modules, such as economic trees planting and the pig raising with construction of biogas modules have strong attributes of environmental improvement, which include: (i) rehabilitation and improvement of vegetation; (ii) reduction of firewood collection from hills by farmers; (iii) improvement of rural habitat's sanitation; and (iv) development of environment-friendly livestock-biogas-cropping farming pattern. The fish pond and rice fish modules may create some negative impact on the water bodies if measures are not taken properly to prevent water pollution by fish feeds. However, technical services to the beneficiaries for all program modules include trainings on environment-friendly practices, which would contribute to the protection and improvement of environment. Field visits indicate that environmentally-sound practices in production activities are becoming more and more prevailing in the program area as a result of improved awareness of rural farmers on the benefits of environmental protection. *Environment sustainability of the program is moderately satisfactory (4).*

**62. Exit strategy** for the program is *moderately unsatisfactory (3)* at this stage. The program management is now mainly focusing on the delivery progress of program implementation. Limited, if any, attention is paid to the preparation of exit strategy. Nevertheless, it is foreseeable that the government would continue supporting the overall development of the program area even after the program will be completed. In this regard, the PMOs need to document successful models for poverty reduction in the implementation of each program module, which have well contributed to achieving the program objectives, for scaling-up and forming an exit strategy for the program.

Agreed action	Responsibility	Agreed date
The program will increase the transparency of operation, particularly in terms of the module activities and the selection of eligible beneficiaries, which would contribute to increasing the program's social sustainability.	PMOs, IAs and Coops	Immediately & continuous
PMOs will document successful models for poverty reduction in the implementation of each program module, which have well contributed well to achieving the program objectives, for scaling-up and forming an exit strategy for the program.	PPMO and CPMOs	Immediately & continuous

### g. Impact

**63. Physical and financial assets.** The program has contributed to improving the physical and financial assets of beneficiary households and Coops through enhanced capacity and increased income. The PMOs carried out a mid-term RIMS survey to assess the outcomes and impact of the program in early 2012. Although results for the key indicator "number of households with improvement in household asset ownership index" were not available to the mission, the survey indicated that farmer households in the program area increased their physical assets such as mobile phone, TV set, refrigerators and motorcycles. Furthermore, the beneficiaries visited by the mission have reported

positive impacts of the program activities on their livelihoods. *The improvement of household physical and financial assets in the program area is rated moderately satisfactory (4).*

64. **Food security.** Farmer households in the program area are generally food sufficient since this area has been rich of food production even before the program. Less than 1% of farmer households suffer from food hungry season. The program support mainly focuses on agricultural production that would contribute to household income generation. The program M&E has not captured any information to show the dynamics of households' food security. Government statistics indicate that the average per capita grain production for the townships participating in the program<sup>2</sup> increased from 767 kg in 2009 to 824 kg in 2011, which shows a higher growth rate than the overall average for program counties, 7.5% vs. 1.9%, although the increase was attributed to a joint effect of multi-factors. *The program's impact on improving food security is rated moderately satisfactory (4).*

65. **Increase in incomes.** Program impact on increasing beneficiaries' income is also positive, although the impact might not reach the extent as expected in terms of outreach since implementation of the production modules in some cases didn't well directly target the poor as designed. Government statistics indicate that the farmers' average annual per capita net income for the townships participating in the program increased from CNY 4500 in 2009 to CNY 5729 in 2011, whereas the overall average for program counties increased from CNY 4923 to CNY 6446 in the same period, indicating a lower growth rate for the program townships, 27% vs. 30%. *The program's contribution to increasing the income of eligible target groups is rated moderately unsatisfactory (3).*

66. **Policy impact.** The program strategy is in line with Government's policies. Although it has not been able to make significant impact on the Government's policies, its participatory and gender-focused approaches would contribute to the development of government's strategies for poverty reduction and rural development.

#### **h. Adjustment of Program Activities**

67. There have been some changes of Implementation environment for the program since its appraisal in 2008. CPMOs and IAs in some counties proposed to make some adjustments to the implementation targets of production modules, reportedly for meeting the demand of program target groups. The proposed adjustments would not involve reallocation of program resources between disbursement categories. Based on field visits and discussions with PMOs and relevant IAs, the Mission consents to making some necessary adjustments without undermining but rather reinforcing the achievement of program objectives whilst a few proposals are not justified at this stage, which are summarized as follows. Details are presented in the Technical Report (Annex I).

- Huaibin county proposed to reduce the implementation of pig raising and economic trees modules due to the decreased interest of program target groups in these modules as a result of low profit. Instead, it proposed to increase the implementation of cash crops/medicinal plants module which is regarded as more profitable and is in line with the government's development orientation in the program area located in the alluvial plain of Huai River. These proposals are justified by the mission, but it should be emphasized that implementation of the cash crops/medicinal plants module must directly target the program eligible households for achieving the program objectives.
- Xinxian county proposed to reduce the implementation of pig raising module with the same reasons as above. It proposed to increase the implementation of economic trees module which is regarded as more profitable and suitable for the program area which is hilly and mountainous. The Mission justifies this proposal whilst emphasizing that implementation of the economic trees module must directly target the program eligible households instead of targeting the Coops in order to achieve the program objectives. The proposal of including a new township into the program implementation is not justified at this stage.
- Huangchuan county proposed to reduce the implementation of poultry raising module and increase the implementation of fish pond and cash crops/medicinal plants modules. The Mission justifies increasing the implementation of cash crops/medicinal plants module, but the proposal on increasing the implementation of fish pond module is not justified since the current implementation of this module has not been verified towards to achieving the module objectives.

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<sup>2</sup> Only some townships in each program county are selected to participate in the program.

- Xixian county proposed to reduce the implementation of economic trees and pig raising modules and increase the implementation of cash crops/medicinal plants and fish pond modules. Similarly, the Mission justifies increasing the implementation of cash crops/medicinal plants module, but the proposal on increasing the implementation of fish pond module is not justified due to the same reason as above.
- Guangshan county proposed to reduce the implementation of fish pond, rice fish, pig raising and poultry raising modules, but increase the implementation of economic trees module. This proposal is also justified with condition that implementation of the economic trees module will directly target the program eligible households instead of targeting the Coops in order to achieve the program objectives.

68. It should be pointed out that due consideration should be given to the continuity of module activities to ensure the benefits of various target groups when the above-mentioned program counties adjust their implementation targets of the justified adjustment proposals.

69. The fluctuated exchange rates between SDR and USD and between USD and CNY have to a certain extent resulted in a reduced availability of the loan funds in CNY, the operational currency for the program, compared to the estimates of appraisal; whereas the amount of IFAD loan in SDR remains unchanged. This reduced availability of loan funds in CNY could possibly result in a reduction of physical targets for the program. In addition, some CPMOs and IAs also proposed adjustments on the physical targets of some program modules which are not included in above-proposed adjustments. The Mission recommends the PPMO consulting with the CPMOs and IAs to carry out necessary adjustment based on actual unit costs of module activities by following the agreed rules of module adjustment as described in the Program Implementation Manual (PIM) and design documents.

70. Implementation targets for some of the program modules are bound to be adjusted as a result of above-mentioned reasons. Resulted up to date targets should be reported to IFAD for approval and would be taken as MTR targets for the program in the remaining implementation period.

#### **i. Conclusion**

71. The program management framework is established in conformity with the Loan Agreement. Implementation arrangement in most cases also complies with the Loan Agreement. The PMOs mainly focus on the progress of delivery in the program implementation; inadequate attention is paid to ensuring the quality of module implementation. The implementation of production modules in some cases deviated from the program strategy and implementation modalities, which might to a certain extent, affect the achievement of module objective and consequently the program objectives if rectifications are not made.

72. The efficiency of financial management is being improved, as reflected in the expedited reimbursement of program expenditures incurred, which mitigated the fund constraints at implementation level. However, the actual disbursement of the IFAD loan is still greatly lag behind the reported financial achievement; the discrepancy reached about USD 11.6 million. The 2012 audit report pointed out about CNY 32.57 million short delivery of counterpart financing to the program in 2011. Reportedly, the Management is taking actions to address the problem of counterpart financing by matching the program with local development projects, but results are yet to be demonstrated.

73. The program is gender sensitive in implementation and management. Poverty focus in some cases needs to be further improved, particularly in the implementation of production modules. *The performance of the program M&E is rated moderately unsatisfactory (3)*. The effectiveness of program M&E is yet to be improved due to the lack of an effective mechanism for data collection, reporting and consolidation of the designed M&E indicators. Further capacity building for M&E officers is required in order to improve the reliability and consistency of program results reported. Knowledge management performs mainly in the way of cross-project visits and meetings organised by the PPMO. The capturing and disseminating of lessons learnt in program implementation perform insufficiently, although some successful cases have been documented by the CPMOs.

74. The Mission consents to making necessary adjustments of the program without undermining but rather reinforcing the achievement of program objectives, taking into account the changed implementation context of the program and updated demands of the target groups. The adjustments are mainly on the increase and/or reduction of implementation targets for some production modules

without involving reallocation of program resources between disbursement categories. These adjustments would not undermine but rather reinforce the achievement of the program objectives. A few adjustment proposals are not justified by the mission, such as increasing the implementation target of fish pond module in some counties and including a new township into the program in Xinxian county. The resulted adjustments should be consolidated and reported to IFAD for approval and would be taken as MTR targets for the program in the remaining implementation period.

75. IFAD and the authorised agencies of Henan provincial government, P. R. China, endorse the findings of MTR mission laid out in this Aide Memoire.

He Qibin  
Team Leader  
IFAD Mid-Term Review Mission

Mr. Lei Qianhai  
Deputy Director  
Bureau of Finance, Xinyang Prefecture  
Henan province, P.R. China

Date: 21 September 2012

Date: 21 September 2012

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## Appendix 1. Summary of Project Status and Ratings

### A. Basic Facts

Country	China			Project ID	1454	Loan/Grant No.	766
Project	Dabieshan Area Poverty Reduction Programme					Supp. Loan/Grant	
Date of Update	21-Sep-2012					Financing terms	I
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	3				
Last Supervision	Sep 2011	Last Implementation Support/Follow-up mission	Mar -2012				
						USD million	Disb. rate %
Approval	17-Dec-2008			Total costs	70.85	39.1%	
Agreement	19-Feb-2009	Effectiveness lag	8.2	IFAD Total	31.88		
Effectiveness	19-Aug-2009	PAR value	Not at risk	IFAD loan	31.88	21%	
MTR	Sep 2012			DSF grant	n/a		
Current completion	30-Sep-2015	Last Amendment		IFAD grant	n/a		
Current closing	31-Mar-2016	Last Audit	June 2012	Domestic Total			
No. of extensions	0			Government (National)	38.98	53.6%	
				Cofinancing Total	n/a		

### B. Project Performance Ratings

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

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Component A: Agricultural production & Market access	4	4	1. Institution building (organizations, etc.)	4	4
1.1 Module/ Technical envoy	3	4	2. Empowerment	4	4
1.2 Module/ Economic trees	3	3	3. Quality of beneficiary participation	4	4
1.3 Module/ Cash crops and medicinal plants	4	4	4. Responsiveness of service providers	4	4
1.4 Module/ Pig raising	3	4	5. Exit strategy (readiness and quality)	3	3
1.5 Module/ Poultry raising	4	4	6. Potential for scaling up and replication	4	3
1.6 Module/ Fish pond	4	3			
1.7 Module/ Rice-fish	4	3			
1.8 Module/ Market access	3	4			
2. Component B: Strategic Support to the Very Poor	3	4			
2.1 Module/ Village development funds	3	3			
2.2 Module/ capacity building for poor women	3	4			

**B.5 Justification of ratings:**

The program mainly focuses on the progress of delivery in the program implementation; inadequate attention is paid to ensuring the quality of module implementation. The actual disbursement of the IFAD loan is greatly lag behind the reported financial achievement; the discrepancy reached about USD 11.6 million. The 2012 audit report pointed out about CNY 32.57 million short delivery of counterpart financing to the program in 2011. The effectiveness of program M&E is yet to be improved due to the lack of an effective mechanism for data collection, reporting and consolidation of the designed M&E indicators. The capturing and disseminating of lessons learnt in program implementation perform insufficiently, although some successful cases have been documented by the CPMOs.

**C. Overall Assessment and Risk Profile**

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	4
C.3	Overall <b>implementation progress</b> (Sections B1 and B2)	4	4

**Rationale for implementation progress rating:**

The program reported a cumulative financial delivery rate of 55.5% against the appraisal target at end of June 2012. Financial achievements presented by financier were: 57.8% for IFAD loan and 53.6% for Government's counterpart financing. Compared with the actual disbursements however, the financial achievement for IFAD loan stood at about 21%, excluding the authorized amount of USD 3.0 million to the Special Account. The Annual Work Plan and Budget (AWPB) for 2011 was reportedly 61% completed in financial term. The implementation of production modules in some cases deviated from the program strategy and implementation modalities.

C.4	Likelihood of achieving the development objectives (section B3 and B4)	4	4
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**Rationale for development objectives rating:**

The program management framework is established in conformity with the Loan Agreement. Implementation arrangement in most cases also complies with the Loan Agreement. The implementation of production modules in some cases deviated from the program strategy and implementation modalities, which might to a certain extent, affect the achievement of module objective and consequently the program objectives if rectifications are not made.

**C.5 Risks** *Short description of major risks for each section and their impact on achievement of development objectives and sustainability*

Fiduciary aspects	Disbursement rate of the loan funds was very low, 30% on 6 September 2012 including the initial deposit, and counterpart financing was insufficient. Financial management at implementation level requires further improvement.
Program implementation quality	Program implementation focuses on financial delivery; inadequate attention is paid to ensure the quality of modules' implementation. Implementation for a couple of modules is not in line with their respective strategies and modalities. Program M&E requires significant improvement and knowledge management is yet to be strengthened.
Outputs and outcomes	The implementation of production modules in some cases deviated from the program strategy and implementation modalities, which might to a certain extent, affect the achievement of module objective and consequently the program objectives if rectifications are not made.
Sustainability	No risk can be concluded for sustainability at this stage.

**D. Proposed Follow-up**

Issue / Problem	Recommended Action	Timing	Status
Uncertainties of modules' implementation in terms of strategies and modalities.	The PPMO will improve its capacity and strengthen its role on guiding the program implementation to ensure the adherence of modules' implementation to the program strategy towards to the achievement of program objectives.	Immediately & continuous	
Module implementation pays inadequate attention to the quality.	In counties where the implementation of the production modules, modules 2-7, is entrusted to the Coops, trust deeds will be signed between the IAs and Coops to clarify the responsibilities of both parties and well define the specific requirements for modules' implementation. The Coops will report directly to the IAs which undertake the responsibilities for ensuring the quality of those modules implementation.	Immediately & continuous	
Very low disbursement rate	The Special Account will be replenished regularly (e.g. once 20% of the initial deposit is used, or at intervals of every 2-3 months)	Immediately & continuous	
Poor performance of M&E	PMOs will establish an effective mechanism for collection, reporting and consolidation of M&E data based on the nature of the designed indicators and further capacity building will be provided to the M&E officers to improve the reliability and consistency of program data reported.	Immediately & continuous	
<b>Additional observations:</b>			

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### Appendix 2. Progress against Previous Supervision Mission's Recommendations

Agreed actions	Responsibility	Date	Progress in actions
PPMO will review the status of staffing for CPMOs and those understaffed CPMOs will be staffed with adequate personnel as committed for the program.	PPMO, CPLGs & CPMOs	As of end Apr. 2012	Prefecture PLG organised a meeting for all counties in July to address this issue. PMOs in 4 counties were well staffed and other PMOs were under procedure of staffing by August 2012.
Capacity building training on program implementation strategies and modalities and on M&E will be carried out for the staff of both PPMO and all CPMOs.	PPMO & IFAD	As of Aug. 2012	Training was held in July for PPMO and CPMOs staff, facilitated by IFAD Beijing Office. The training involved M&E, targeting to the poor, gender focuses, supervision and management of implementation, and sustainability.
Positions and responsibilities of each PPMO staff will be further refined in order to mobilize their enthusiasm and arouse their sense of responsibility in the program implementation and management.	PPMO	As of Apr. 2012	Positions and responsibilities of PPMO staff have been refined, particularly in terms of M&E, planning (AWPB), knowledge management, financial management, document filing, etc.
PPMO will consult with DOF/BOFs and relevant audit officers to further define and unify the preparation of supporting documents for reimbursement of eligible program expenditures.	PPMO	As of May 2012	This recommendation has been well addressed by using project-specific receipt format accepted by both DOF/BOFs and audit officers.
PPMO will organise the CPMOs to accelerate the preparation of claim documents and increase the frequency of submitting claim documents for reimbursement of eligible expenditures incurred.	PPMO & CPMOs	Immediately & continuous	Preparation and submission of claim documents have been accelerated. Three disbursements were made by DOF and disbursed was made by IFAD after March 2012.
Performance of the M&E system will be improved by establishing a systematic mechanism for collection and reporting of M&E data while providing M&E officers with training to improve their capacity.	PPMO & IFAD	As of Aug. 2012	The performance of M&E has been improved to certain extent, attributing to the improved capacity of M&E staff and the strengthened management. But data collection mechanism needs to be clarified and defined.
Continued efforts will be made to mobilize committed counterpart funds for the program implementation.	PLGs, BOFs, PPMO	Immediately & continuous	This recommendation has been well addressed by incorporating the program into local development activities.
In counties where the implementation of the production modules is entrusted to Coops, trust deeds will be signed between the IAs and Coops to clarify the responsibilities of both parties and better define the specific requirements for modules' implementation. The Coops will be required to report directly to the IAs.	PPMO, CPMOs & IAs	Immediately & continuous	PPMO expressed that supervision of the modules' implementation has been strengthened. Current status of the modules' implementation is not in line with the recommendation; PPMO attributed this to the un-availability of the previous report from IFAD and its misunderstanding to the recommendation.



<p>IAs will stop entrusting implementation of the TE module to Coops before such operation would be justified for the approval of the MTR mission, and of IFAD.</p>	<p>CPMOs &amp; IAs</p>	<p>Immediately &amp; continuous</p>	<p>Currently all TE modules are implemented by the designated IA.</p>
<p>CPMOs will take actions to avoid over-concentration of modules' implementation in restricted areas to increase outreach of the program.</p>	<p>CPMOs &amp; IAs</p>	<p>Immediately &amp; continuous</p>	<p>PMOs address this recommendation by a better planning procedure in the development of AWPBs.</p>
<p>PPMO and CPMOs will pay more attentions to ensuring the quality of program implementation towards achieving program objectives, financial management, M&amp;E and knowledge management, while pushing forward the program's delivery. IAs will implement the program modules in line with their strategies and modalities.</p>	<p>PPMO, CPMOs &amp; IAs</p>	<p>Immediately &amp; continuous</p>	<p>Financial management, M&amp;E and knowledge management are strengthened, but PMOs do not well make use of the resources of IAs in the implementation of modules 2-7.</p>
<p>PPMO will organise mid-term RIMS and benchmark surveys and make the survey reports available to IFAD before the MTR, and data analysis and report writing for the baseline RIMS survey carried out in 2010 will be accelerated and make the report available to IFAD by the end of April 2012.</p>	<p>PPMO</p>	<p>Before MTR &amp; end of Apr 2012, respectively.</p>	<p>Surveys were carried out in May and June 2012. Report was completed in July and it was available to the mission but not yet submitted to IFAD.</p>

### Appendix 3: Financial Performance

**Table 3A: Financial Disbursements by Financier, as per 31/08/2012**

Financier	1) Approval (USD)	2) Disbursements by IFAD (USD)	3) Per cent disbursed	4) Pending WAs	5) Disbursement +Pendings (2+4)	% (5)/(1)
IFAD loan*	31,900,000.00	6,801,097	21%	5,156,324	11,957,421	37%
Government*	38,900,000.00	7,993,585	21%	4,495,724	12,489,309	32%
<b>Total</b>	70,800,000.00	<b>14,794,681</b>	21%	<b>9,652,048</b>	24,446,730	35%

\* excluding USD3 million advance payment

\*\* Equivalent to Yuan78,682,644. The information provided by PPMO (Including Government contribution in cash and in kind)

**Table 3B: Financial Progress by Financier and by Module (in USD, as per 31/08/2012)**

Component	IFAD loan						Government**			Total		
	Approval	Actual	% of disbursed	Pending WA	Total Expenses (include pending WAs)	%	Approval	Estimated (source: PPMO)	%	Approval	total	%
Market Access and Agricultural Development	26,380,000	6,169,070	23%	4,499,358	10,668,428	40%	25,726,000	9,847,606.94	38%	52,106,000	20,516,035	39%
Strategic Support to the Very Poor	3,520,000	118,315	3%	480,190	598,505	17%	6,154,000	1,811,397.40	29%	9,674,000	1,929,713	20%
Programme Management and Village Implementation Groups	2,000,000	513,711	26%	176,777	690,488	35%	7,099,000	830,304.27	12%	9,099,000	1,344,015	15%
<b>Total</b>	<b>31,900,000</b>	6,801,097	21%	5,156,324	11,957,421	37%	<b>38,979,000</b>	12,489,308.61	<b>32%</b>	70,879,000	<b>23,789,763</b>	34%

\*\* Equivalent to Yuan78,682,644. The information provided by PPMO (Including Government contribution in cash and in kind)

**Table 3C-1: IFAD Loan Disbursements and Estimated Balance by Category (USD, as per 31/08/2012)**

Category	Category description	allocation (converted)	Disbursement (Source-LGS)	% Disbursed (calculated)	Est. Expenses incurred but not paid Source - PMO	Total	% for expenses incurred	Balance
I	Vehicles, equipment and materials	583,301	197,683	34%	55,618.37	253,301.36	43%	329,999.32
II	Training, workshops, technical assistance & studies	1,979,056	316,028	16%	121,158.45	437,186.33	22%	1,541,869.55
III	Agricultural, livestock and aquaculture	16,896,376	1,909,074	11%	4,499,358.07	6,408,432.21	38%	10,487,943.39
IV	Market access and farmers' associations	6,063,649	4,259,996	70%	-	4,259,996.11	70%	1,803,652.55
V	Village development funds	688,950	23,585	3%	157,619.08	181,203.99	26%	507,745.54
VI	Capacity building and skills training	2,477,540	94,731	4%	322,570.45	417,300.97	17%	2,060,238.92
	Unallocated	3,211,130			-			3,211,129.77
		31,900,000	6,801,097	21%	5,156,324	11,957,421	37%	19,942,579
	Initial deposit	-	3,000,000			3,000,000.00		
	<b>Total</b>	<b>31,900,000</b>	<b>9,801,097</b>	<b>31%</b>	<b>5,156,324.41</b>	<b>14,957,420.96</b>	<b>47%</b>	

1.52201

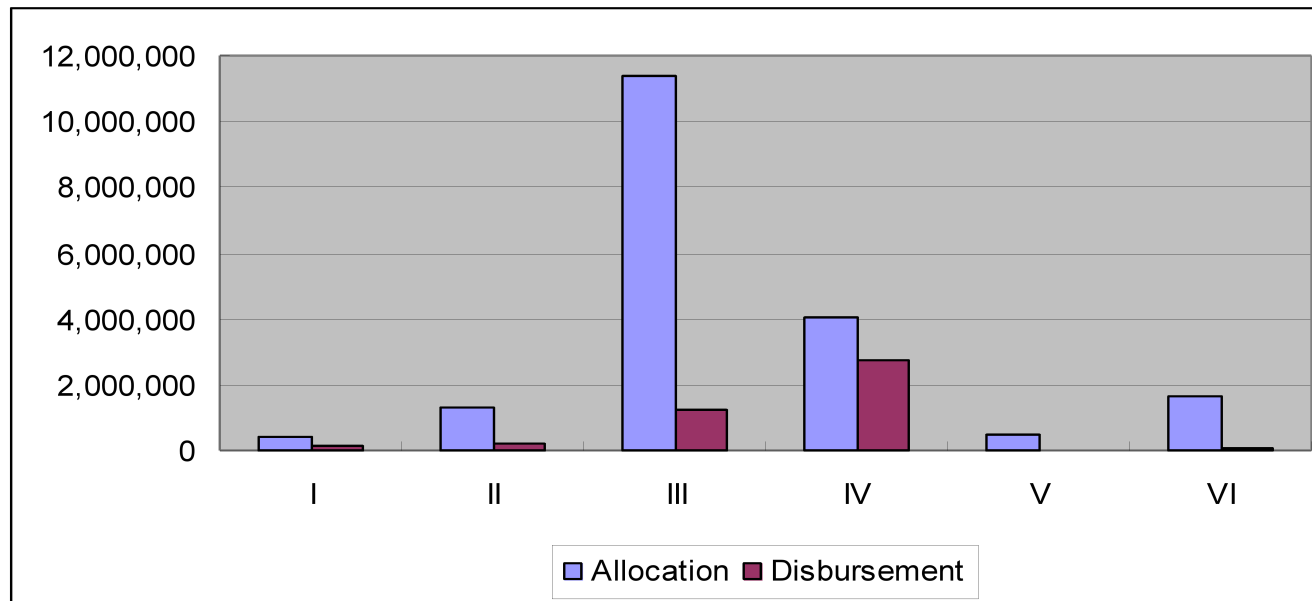
**Aug. 31, 2012**

Category	Category description	allocation (converted)	Disbursement (Source-LGS)	% Disbursed (calculated)	Est. Expenses incurred but not paid Source - PMU	Total Expenditure (calculated)	% for expenses incurred	Balance
I	Vehicles, equipment and materials	2,000	127,856	33%	36,543	164,399	42%	227,601
II	Training, workshops, technical assistance & studies	1,330,000	206,325	16%	79,604	285,929	21%	1,044,071
III	Agricultural, livestock and aquaculture	11,355,000	1,234,736	11%	2,956,195	4,190,930	37%	7,164,070
IV	Market access and farmers' associations	4,075,000	2,772,641	68%	-	2,772,641	68%	1,302,359
V	Village development funds	463,000	15,254	3%	103,560	118,814	26%	344,186
VI	Capacity building and skills training	1,665,000	61,269	4%	211,937	273,206	16%	1,391,794
	Unallocated	2,158,000						
		21,438,000	4,418,081	21%	3,387,839	7,805,920	36%	11,474,080
	Initial deposit		2,030,952					
	<b>Total</b>	<b>1,438,000.00</b>	<b>6,449,033</b>	<b>30%</b>	<b>3,387,838.72</b>	<b>9,836,871.83</b>	<b>46%</b>	

**Table 3C-2: IFAD Loan Disbursements and Estimated Balance by Category (SDR, as per 31/08/2012)**

Loan Category	Category description	Original allocation	Revised allocation	Disbursement	Present balance	Percent disbursed
I	Vehicle, Equipment and Materials	392,000		127,855.82	264,144.18	32.6%
II	Training, Workshops, TA and Studies	1,330,000		206,325.24	1,123,674.76	15.5%
III	Agriculture, Livestock and Aquaculture	11,355,000		1,234,735.64	10,120,264.36	10.9%
IV	Market Access and Farmers' Cooperatives	4,075,000		2,772,641.45	1,302,358.55	68.0%
V	Village Development Fund	463,000		15,254.06	447,745.94	3.3%
VI	Capacity Building and Skills Training	1,665,000		61,269.04	1,603,730.96	3.7%
VII	Unallocated	2,158,000		--	2,158,000	--
Initial deposit				2,030,952	-2,030,952	
Total		21,438,000		6,449,033.11	14,988,966.89	30.1%

**Figure 1: IFAD Loan Disbursement, Comparisons between Allocation and Disbursement**



**Table 3D: Status of Usage of Special Invoices**

Expressed in CNY:

County	Invoice Amount	IFAD Financing	Special Invoices (SI)	Number of invoices for SI	%
Gushi	34,273,429	15,717,050			0%
Guangshan	9,840,940	4,522,360	1,603,000	76	35%
Huaibin	5,688,837	4,394,723			0%
Huangchuan	7,888,522	7,821,292			0%
Luoshan	36,607,099	17,270,282	6,289,973	127	36%
Shangcheng	10,731,783	9,281,016	3,780,750	49	41%
Xixian	18,319,190	10,587,767	3,620,610	166	34%
Xinxian	4,369,471	5,884,003			0%
Shixiangmuban		817,296			0%
<b>Total</b>	<b>127,719,271</b>	<b>76,295,788</b>	<b>15,294,333</b>	<b>418</b>	<b>20%</b>

Expressed in USD:

County	Invoice Amount	IFAD Financing	Special Invoices(SI)	Number of invoices for SI	%
Gushi	5,440,227	2,494,770	-		0%
Guangshan	1,562,054	717,835	254,444	76	35%
Huaibin	902,990	697,575	-		0%
Huangchuan	1,252,146	1,241,475	-		0%
Luoshan	5,810,651	2,741,315	998,408	127	36%
Shangcheng	1,703,458	1,473,177	600,119	49	41%
Xixian	2,907,808	1,680,598	574,700	166	34%
Xinxian	693,567	933,969			0%
Shixiangmuban	-	129,729	-		0%
<b>Total</b>	<b>20,272,900</b>	<b>12,110,443</b>	<b>2,427,672</b>	<b>418</b>	<b>20%</b>

**Table 3E: Counterpart Funds**

<b>County</b>	<b>Government Contribution in Cash -Yuan</b>	<b>Government Investment (in Kind) -Yuan</b>	<b>Total</b>
Gushi	33,503,331		33,503,331
Guangshan	2,950,179	1,860,514	4,810,693
Huaibin	2,070,752	72	2,070,824
Huanchuan	36,357	3,828,897	3,865,254
Luoshan	3,824,353	15,504,519	19,328,871
Shangcheng		5,018,615	5,018,615
Xixian	2,004,816	7,226,607	9,231,423
Xinxian	21,933	831,700	853,633
<b>Total</b>	<b>44,411,721</b>	<b>34,270,923</b>	<b>78,682,644</b>
<b>County</b>	<b>Government Contribution in Cash -USD</b>	<b>Government Investment (in Kind) -USD</b>	<b>Total</b>
Gushi	5,317,989		5,317,989
Guangshan	468,282	295,320	763,602
Huaibin	328,691	11	328,702
Huanchuan	5,771	607,761	613,532
Luoshan	607,040	2,461,035	3,068,075
Shangcheng	-	796,606	796,606
Xixian	318,225	1,147,080	1,465,305
Xinxian	3,481	132,016	135,497
<b>Total</b>	<b>7,049,479</b>	<b>5,439,829</b>	<b>12,489,309</b>

**Appendix 4: Compliance with financing agreement covenants:**

Sections	Agreement Covenants	Compliance Status
Section 2.03	(a) The borrower, through the DOF, shall open and thereafter maintain in a commercial bank accepted by the Fund, an account denominated in US dollars for the purpose of financing the Programme (“Special Account”).	Complied
	(b) After the Special Account has been duly opened, upon the Borrower’s request, the Fund shall make one withdrawal of USD 3 000 000 in the aggregate (the “Authorised Allocation”) from the Loan Account on behalf of the Borrower and deposit such amount into the Special Account.	Complied, 23 June 2010
	(c) The Borrower shall authorize the DOF to operate the Special Account in accordance with Section 4.08 of the General Conditions.	Complied
Section 2.04	The Borrower and each Programme Party shall use the proceeds of the Loan exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions.	Complied
Section 3.02	(a) The PPMO shall prepare a consolidated draft AWPB for each Program Year based on the draft AWPB prepared by each CPMO and TPMO. Each CPMO shall be responsible for consolidating the Village Implementation Plans into county AWPB which, shall be submitted to each county PLG for approval.	Complied
	(b) Before each Program Year, the PPMO shall submit a draft AWPB to the Prefecture PLG for its review and approval. When cleared, the Prefecture PLG through the PPMO shall endeavour to submit the consolidated draft AWPB to the Fund, for comments and approval, by 31 October for each Programme Year.	Complied
	(c) The PPMO shall adopt the AWPB, and shall provide copies thereof to the Fund prior to the commencement of the relevant Programme Year.	Complied
	(d) If required, each County PMOs may propose adjustments in the AWPB during the relevant Programme Year, which shall become effective upon approval by the PPMO and after having obtained the no objection of the Fund.	n/a yet
Section 3.03	Each BOF shall open and thereafter maintain in a Bank acceptable to the Fund, an account denominated in CNY for Programme operations (the “Programme Accounts”).	Complied
Section 3.04	(a) The Borrower through the Province and Prefecture shall make the proceeds of the Loan available to the County Government in accordance with the customary national procedures for development assistance on on-lending, the Lead Subsidiary Agreement and AWPB to carry out the Programme. The Fund lending terms and conditions shall apply at all levels. DOF and each BOF on behalf of the respective Government shall forward the loan proceeds to the PMOs and Implementing Agencies in accordance with the AWPB and the Subsidiary Agreements.	Complied
	(b) In addition to the proceeds of the Loan, the Borrower shall make available to all Programme Parties, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme in accordance with this Agreement.	Complied
	(c) The Borrower shall make budgetary allocations for each Fiscal Year equal to the counterpart funds called for in the AWPB for the relevant Programme Year and make such allocations available in accordance with the Lead Subsidiary Agreement.	Partly complied
Section 3.05	In addition to the proceeds of the Loan, the Borrower shall make available to the Lead Programme Agency and each other Programme Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Programme in accordance with this Agreement, and in accordance with Section 7.03 of the General Conditions.	Complied
Section3.06	All procurement financed from the proceeds of the Loan shall be carried out in accordance with Schedule 4 to the Agreement.	Complied
Section 4.01	As soon as practicable but in no event later than three (3) months after the Effective Date, the Borrower shall cause the PPCO, Prefecture and County PMOs to establish and thereafter maintain an appropriate information management system in accordance with the Fund’s “Guidelines for Project Monitoring and Evaluation”, and any other related guidelines that may be provided by the Fund	Complied
Section 4.02	The Borrower shall cause the PPCO to submit to the Fund, semi-annually and annually, progress reports on Programme	Partially Complied

Sections	Agreement Covenants	Compliance Status
	implementation required by Section 8.03 (Progress Reports) of the General Conditions, no later than ten (10) weeks after the end of each such reporting period during the Programme Implementation Period.	
Section 4.03	The Borrower and the Fund shall jointly carry out a review of Programme implementation (the “Mid-Term Review”) based on terms of reference jointly prepared by the Borrower and the Fund.	Complied
Section 4.04	The Borrower shall cause the PPCO to submit to the Fund the completion report on the Programme required by Section 8.04 (Completion Report) of the General Conditions no later than six (6) months after the Programme Completion Date.	Too early
Section 5.01	The Borrower shall cause the DOF and each BOF to maintain separate accounts and records. The Borrower shall cause DOF, BOF, Implementing Agencies and PMOs to submit to the PPCO the financial statements of the operations, resources and expenditures related to the Programme required by Section 9.02 (Financial Statements) of the General Conditions in respect of each Fiscal Year. The PPCO shall deliver the consolidated financial statements to the Fund within three (3) months of the end of each Fiscal Year.	Partially complied
Section 5.02	(a) Within 60 days of the Effective Date, the Borrower shall appoint, with the prior approval of the Fund, independent auditors.	Complied
Section 5.02	(b) The Borrower shall cause the PPCO to have the consolidated financial statements relating to the Programme audited each Fiscal Year by such auditors	Complied
Schedule 3, Part A, 1.2	The Borrower, through the MOF, and an authorized representative of the province of Henan shall enter into an agreement (the “Lead Subsidiary Agreement”)	Complied
Schedule 3, Part A, 2.1	The PPCO shall be established jointly by the DOF and the PDRC. The DOF shall have the responsibility for the overall implementation of the program at the provincial level.	Complied
Schedule 3, Part A, 3.1	Prefecture and County PLGs shall be established by Decree of the respective Governor or his/her authorized representative. PLGs shall be responsible for Programme coordination, preparation and planning.	Complied
Schedule 3, Part A, 5.1	Prefecture and County PMOs shall be established by Decree of the respective Governor or his/her authorized representative. The Prefecture PMO and the County PMOs shall be established within DRC	Complied
Schedule 3, Part A, 6.1	Township Programme Offices (TPMOs) shall be established in each township by Decree, within the current township government facilities.	Complied
Schedule 3, Part A, 7.1	A Village Implementation Group (VIG) shall be established by the villages in each of the selected administrative village of the Programme Area.	Complied
Schedule 3, Part B,	DOF on behalf of the LPA, shall prepare a draft Programme Implementation Manual (PIM).	Complied
	The Program strategy is to ensure gender-equitable participation in activities	Complied
Schedule Part II	The Borrower shall ensure that each participating Prefectures, Townships and Counties provide adequate counterpart funds and that each AWPB clearly reflects the source and use of such funds.	Partially complied
Schedule 3, Part II	The borrower shall ensure that all vehicles and other equipment procured under programme are allocated to the respective implementing partners as foreseen in the AWPBs	Complied



**Appendix 5: Physical progress measured against AWPB and appraisal targets**

Impact and Outcomes	Indicators (with global target if available)	Achievements <sup>3</sup> (as per Jun 2012)	RIMS Ratings	
			(by Project)	(by mission)
<b>Impact level</b>				
<b>Overall Goal:</b> Innovative approaches to poverty reduction are successfully piloted in the programme area	Successful innovative poverty reduction approaches adopted by Government and other donors at a larger scale	No report	No report	Not assessable
<b>Program Purpose:</b> Innovative and diversified development modules lead to increased income and reduced poverty among poor farm households in the programme area	60% HHs with improvement in HH asset ownership index compared to baseline (RIMS)	No report	No report	Not assessable
	50% reduction in child malnutrition rate compared to baseline, by sex (RIMS)	No reduction	No report	3
	50% reduction of poverty and low income household incidence, by category	2.7%	No report	3
<b>Outcome level</b>				
<i>Module 1: Technical Envoy</i>	At least 90% of participating households adopting recommended technology	92%	No report	5
	At least 70% of participating households reporting production/yield increase	92%	No report	5
<i>Module 2: Economic Trees</i>	At least 95% of participating households adopting recommended technologies on economic trees production	86%	No report	4
	At least 75% of participating households reporting at least 30% of income increase due to economic trees development	82%	No report	5
<i>Module 3: Cash crop &amp; Medicinal plants</i>	At least 95% of participating households adopting recommended technologies on cash crops/medicinal plants production	96%	No report	5
	At least 75% of participating households reporting at least 30% of income increase due to cash crops/medicinal plants development	94%	No report	5
<i>Module 4: Pig Raising</i>	At least 90% of participating households adopting recommended technologies in pig production	92%	No report	5
<i>Module 5: Poultry Raising</i>	At least 90% of participating households adopting recommended technologies in poultry production	94%	No report	5
<i>Module 6: Pond Fish</i>	At least 95% of participating households adopting recommended technologies specific to pond-fish culture	84%	No report	4
	At least 70 % of participating households reporting at least 30% of income increase due to pond-fish culture	84%	No report	5

<sup>3</sup> Figures are sourced from the prefecture PMO.

<i>Module 7: Rice Fish</i>	At least 95 % of participating households adopting recommended technologies specific to rice-fish culture	84%	No report	3				
	At least 70 % of participating households reporting at least 30% of income increase due to rice-fish culture	84%	No report	5				
<i>Module 8: Market Access</i>	At least 90% of eligible target membership market their products through the associations/coops by more than 50%	No report	No report	4				
	At least 95% of supported associations/coops operational after 3 years, by sector	No report	No report	4				
<i>Module 9: Village Development Fund</i>	At least 95 % of VDFs implemented as compared to design target	No report	No report	4				
	At least 95% of villages selected for VDF activity prepare VIPs with participatory approach	100%	No report	5				
	At least 95% of programme infrastructure operational after 3 years, by type	No report	No report	4				
<i>Module 10: Capacity Building for poor women</i>	At least 50% of women, who were trained in off-farm skills, engage in off-farm income generating activities	No report	No report	4				
	At least 80% of women , who were trained in skills, adopt recommended technology	No report	No report	4				
<b>Appendix 5 (Continued)</b>		<b>Output Level</b>						
Outputs by component	Indicator	Physical targets and achievements						
		Units	AWPB (2012)	Actual Jan-Jun	%	Appraisal	Cumulative (by Jun 2012)	%
<b>Module 1: Technical Envoy</b>								
Training of technical envoys done	509 technical envoys trained with update knowledge	number	121	48	39.7	600	489	81.5
Farmers trained by TEs through demonstration of new technologies	90000 farmers trained with new techniques by TEs, by sex	number	18,150	7468	41.1	90,000	69907	77.7
Incentive mechanism established	8 counties will have established incentive mechanism for TES	number	7	4	57.1	7	7	100.0
<b>Module 2: Economic Tree</b>								
Grafts/seedlings for economic trees development provided	About 28000 households provided with grafts/seedlings for economic trees development.	number	7,140	5,858	82.0	28,000	20,831	74.4
Fertilizers and pesticides for economic trees provided	About USD7279 thousand used on provision of fertilizers and pesticides to eligible beneficiaries	CNY'000	14,371	10,737	74.7	49,499	30,432	61.5
Facilities for economic trees development developed	About USD2275 thousand used on facilities of economic trees orchards by eligible beneficiaries	CNY'000	8,174	2,036	24.9	15,468	11,305	73.1
Beneficiaries training conducted	About 33600 farmers trained with techniques on economic trees development, by sex	number	9,009	6,809	75.6	33,550	24,997	74.5
<b>Module 3: Cash crop &amp; Medicinal plants</b>								
Seeds/seedlings for medicinal plants/cash crops provided	About 5,000 households provided with seeds/seedlings for medicinal plants/cash crops development.	number	1,000	420	42.0	5,000	4165	83.3

Fertilizers and pesticides for medicinal plants/cash crops provided	About USD 406 thousand used on provision of fertilizers and pesticides to eligible beneficiaries	CNY'000	616	236	38.3	2,732	2082	76.2
Facilities for medicinal plants/cash crops development developed	About USD 477 thousand used on facilities for medicinal plants/cash crops development by eligible beneficiaries	CNY'000	912	282	31.0	3,279	2119	64.6
Beneficiaries training conducted	About 6,000 farmers trained with techniques on medicinal plants/cash crops, by sex	number	996	480	48.2	6,000	5298	88.3
<b>Module 4: Pig Raising</b>								
Materials for pigpen improvement of eligible poor households provided	About USD 1,651 thousand used on improvement of pigpen for eligible households.	CNY'000	3,061	957	31.3	11,104	5313	47.9
Start-up capital for sow/piglets provided to eligible households	About 8,000 households provided with pigs/piglets for livestock development	number	2,144	658	30.7	8,163	4595	56.3
Start-up capital for feeds and medicines provided to eligible beneficiaries	About USD 2,039 used on provision of feeds and medicines to eligible beneficiaries	CNY'000	3,888	1210	31.1	13,988	6692	95.7
Materials for building of biogas system provided to eligible households	About 8,000 biogas system built for eligible households	number	2,183	658	30.1	8,163	4595	56.3
Beneficiaries training conducted	About 9,600 farmers trained with techniques on pig raising and biogas system maintenance, by sex	number	1,962	697	35.5	8,420	5237	60.8
<b>Module 5: Poultry Raising</b>								
Materials for poultry-house improvement of eligible poor households provided	About USD 520 thousand used on improvement of poultry-house for eligible beneficiaries.	CNY'000	497	239.5	48.2	3,471	2292.8	66.1
Start-up capital for poultry provided to eligible households	About 8,000 households provided with poultry	number	1,140	553.0	48.5	8,000	4915.0	61.4
Start-up capital for feeds and medicines provided to eligible beneficiaries	About USD 2,736 used on provision of feeds and medicines to eligible beneficiaries	CNY'000	3,109	1514.3	48.7	21,694	14342.7	66.1
Beneficiaries training conducted	About 9,600 farmers trained with techniques on poultry development, by sex	number	1,368	694.0	50.7	9,600	6442.0	67.1
<b>Module 6: Pond Fish</b>								
Fish pond renovation & maintenance carried out	About USD 48 thousand used on fish pond renovation & maintenance by eligible beneficiaries.	CNY'000	71	71.5	100.1	344.7	395.5	114.7
Equipment & facilities for fish culture provided to eligible households	About USD 200 thousand used for equipment & facilities by eligible beneficiaries	CNY'000	287	287.3	100.1	1,378.70	1453.9	105.5
Fingerlings for eligible households provided	About 300 households provided with fingerlings for fish culture in pond/reservoir	number	128	128.0	100.0	630	669.0	106.2
Fish feeds and chemicals, etc for eligible households provided	About USD 235 thousand used for fish feeds and chemicals, etc by eligible beneficiaries	CNY'000	332	331.8	100.1	1,585.50	1631.8	102.9
Farmers' training and exposures on fish culture carried out	About 750 farmers trained with techniques on fish culture in pond/reservoir, by sex	number	149	155.0	104.0	748	998.0	133.4
<b>Module 7: Rice Fish</b>								
Fish sump & refuge construction carried	About USD 33 thousand used on fish sump & refuge	CNY'000	56.4			229.5	153	66.7

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out	consturction by eligible beneficiaries.							
Escaping prevention devices built	About USD 33 thousand used for building escaping prevention devices by eligible beneficiaries	CNY'000	56.4			229.5	154	67.1
Fingerlings for eligible households provided	About 300 households provided with fingerlings for fish culture in paddy field	number	100.0	15	15.0	375	265	70.7
Fish feeds and chemicals, etc for eligible households provided	About USD 162 used for fish feeds and chemicals, etc by eligible beneficiaries	CNY'000	333.9			1,101.90	790	71.7
Farmers' training and exposures on fish culture carried out	About 450 farmers trained with techniques on fish culture in paddy field, by sex	number	120.0	20	16.7	674	320	47.5
<b>Module 8: Market Access</b>								
Cooperative review/start-up carried out	USD 242 thousand used on coops review/start-up.	CNY'000	598.4	561	93.7	1,605.10	1194	74.4
Pro-poor membership promotion done	120 associations/coops will have carried out pro-poor membership promotion	number	25.0	25	100.8	120	93	77.5
Technical coaching for poor HH members	4,800 poor new members will have received technical coaching, by gender	number	1,170.0	1275	109.0	6,000	6671	114.0
Consultancies, training & exposure done	19,200 members trained, by sex	number	4,680.0	4163	89.0	24,000	21040	89.9
Standardization & certification for production & products carried out	About USD 633 thousand used for standardization & certification	CNY'000	1,193.6	782	65.5	4,293.3	1482	34.5
New techniques & know-how introduced	About USD 393 thousand used for introduction of new techniques	CNY'000	694.3	582	83.8	2,683.4	1059	39.5
Market study, linkage & trade promotion carried out	About USD 1,765 thousand used for market study, linkage & trade promotion	CNY'000	3,076.7	1824	59.3	12,067.5	4465	37.0
Value-added facility upgraded	About USD 6,884 thousand used for upgrading value-added facilities	CNY'000	7,092.2	3387	47.8	46,704.1	28909	61.9
Operating expenses provided	About USD 350 thousand provided for operation	CNY'000	1,160.5	664	57.2	2,412.1	1378	57.1
Office equipment provided	About USD 175 thousand used for office equipment	CNY'000	538.1	371	68.9	1,200.8	1121	93.4
<b>Module 9: Village Development Fund</b>								
Poor village infrastructure improved with participatory planning	80 poor villages with established VDF	number	27	10	37.0	80	54	67.5
Beneficiary training on participation and management carried out	400 persons trained	number	89	26	29.2	380	224	58.9
<b>Module 10: Capacity Building for poor women</b>	8,000 poor women trained, by trade	number	2,040	1,045	51.2	8,000	6,716	84.0

**Appendix 6: RIMS Tables**

**First Level Results**

Modules	Indicators	Unit	AWPB (Jan-Dec 2011)			Cumulative		
			AWPB	Actual	% of AWPB	Appraisal	Actual	% of Appraisal
Total Outreach	Beneficiaries of the program (direct, entire program)	Number	36,000	17,200	47.8	300,000	159,800	53.3
	<i>(entire-male)</i>	Number	18,000	8,200	45.6	150,000	71,910	47.9
	<i>(entire-male)</i>	Number	18,000	9,000	50.0	150,000	87,900	58.6
Technical envoy	Farmers trained in improved technologies (men)	Number	8,170	2,761	33.8	40,000	24,774	61.9
	Farmers trained in improved technologies (women)	Number	9,980	4,707	47.2	50,000	39,105	78.2
	Staff of service providers trained (men)	Number	81	31	38.3	400	321	80.3
	Staff of service providers trained (women)	Number	40	17	42.5	200	168	84.0
	No. of counties established Incentive scheme for TES	Number	8	8	8.0	8	8	8.0
Economic trees	No. of economic tree module implemented(No. household supported by module implementation)	Number	7,140	5,858	82.0	28,000	20,831	74.4
	No. of household adopting recommended technology	Number	9,009	6,809	75.6	33,550	24,997	74.5
	No. of beneficiaries group formed	Number	300	246	82.0	600	535	89.2
Cash crops/ Medical plants	No. of cash crop module implemented(No. household supported by module implementation)	Number	1,000	420	42.0	5,000	4,165	83.3
	No. of household trained in technologies	Number	996	480	48.2	6,000	5,298	88.3
	No. of beneficiaries group formed	Number	60	46	76.7	200	134	67.0
Pig raising	No. of pig raising module implemented (No. household supported by module implementation)	Number	2,144	658	30.7	8,163	4,595	56.3
	No. of household trained in technologies	Number	1,962	697	35.5	8,617	5,237	60.8
	No. of beneficiaries group formed	Number	100	99	99.0	500	441	88.2
Poultry	No. of poultry module implemented(No. household supported by module implementation)	Number	1,140	553	48.5	8,000	4,915	61.4
	No. of household trained in technologies	Number	1,368	6,442	470.9	9,600	6,442	67.1
	No. of beneficiaries group formed	Number	100	69	69.0	600	702	117.0
Pond fishing	No. of pond fish module implemented(No. household supported by module implementation)	Number	128	128	100.0	630	669	106.2
	No. of household trained in technologies	Number	149	155	104.0	748	998	133.4
	No. of household adopting recommended technology	Number	20	18	90.0	40	32	80.0
	No. of beneficiaries group formed	Number	100	15	15.0	375	265	70.7

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Rice-fish	No. of Rice-fish module implemented(No. household supported by module implementation)	Number	120	20	16.7	674	320	47.5
	No. of household trained in technologies	Number	20	17	85.0	40	34	85.0
	No. of beneficiaries group formed	Number	7,140	5,858	82.0	28,000	20,831	74.4
Market access	No. of cooperation/association being supported/new established	Number	25	25	100.0	120	93	77.5
	No. of increased poor members being recruited	Number	1,170	1,275	109.0	5,850	6,671	114.0
	No. of new members trained by cooperation	Number	4,680	4,163	89.0	23,400	21,040	89.9
	No. of cooperation carried out production certification or standard production	Number	25	25	100.0	120	93	77.5
Village development funds	No. of VDF modules implemented	Number	27	10	37.0	80	54	67.5
	No. of persons in village trained in participatory planning	Number	89	26	29.2	380	224	58.9
	No. of poor villages formulated VDF plan	Number	27	10	37.0	80	54	67.5
Capacity building for poor women	No. of women trained, by category	Number	2,040	1,045	51.2	8,000	6,716	84.0
	functional literacy	Number						
	on-farm skill	Number						
	off-farm skill	Number						
Program management	No. of persons in program management offices	Number	72	64	88.9	72	64	88.9
	No. of female in program management department	Number	24	16	66.7	24	16	66.7
	No. of staff trained in participatory planning	Number	72	64	88.9	72	64	88.9
	No. of staff trained in gender mainstreaming							

### Second Level Results

Modules	Indicators	Unit	Baseline	MTR	Ratings (1-6)			Completion
					Year-4	Year-5	Year-6	
Technical envoy	At least 90% of participating households adopting recommended technology	%	--	92%	5			
	At least 70% of participating households reporting production/yield increase	%	--	92%	5			
Economic trees	At least 95% of participating households adopting recommended technologies on economic trees production	%	--	86%	4			
	At least 75% of participating households reporting at least 30% of income increase due to economic trees development	%	--	82%	5			
Cash crops/ Medicinal plants	At least 95% of participating households adopting recommended technologies on cash crops/medicinal plants production			96%	5			
	At least 75% of participating households reporting at least 30% of income increase due to cash crops/medicinal plants development	%	--	94%	5			
4. Pig Raising	At least 90% of participating households adopting recommended	%		92%	5			

	technologies in pig production							
5. Poultry Raising	At least 90% of participating households adopting recommended technologies in poultry production	%	--	94%	5			
Pond fish	At least 95% of participating households adopting recommended technologies specific to pond-fish culture	%	--	84%	4			
	At least 70 % of participating households reporting at least 30% of income increase due to pond-fish culture	%		84%	5			
Rice-fish	At least 95 % of participating households adopting recommended technologies specific to rice-fish culture	%	--	84%	3			
	At least 70 % of participating households reporting at least 30% of income increase due to rice-fish culture	%	--	84%	5			
Market access	At least 90% of eligible target membership market their products through the associations/coops by more than 50%	%	--	No data	4			
	At least 95% of supported associations/coops operational after 3 years, by sector	%	--	No data	4			
Village development funds	At least 95 % of VDFs implemented as compared to design target	%	--	No data	4			
	At least 95% of villages selected for VDF activity prepare VIPs with participatory approach	%	--	No data	4			
Capacity building for poor women	At least 50% of women, who were trained in off-farm skills, engage in off-farm income generating activities	%	--	No data	4			
	At least 80% of women , who were trained in skills, adopt recommended technology	%	--	No data	4			

### Third Level Results

Indicator	Unit	Benchmark	Mid-term	Completion	Target
60% HHs with improvement in HH asset ownership index compared to baseline	Number	n/a	No report		77,000
Prevalence of child malnutrition (boys/girls)					
<i>Weight for age</i>	% G, % B	2.2%, 2.8%	0%, 2%		1.1%, 1.4%
<i>Height for age</i>	% G, % B	2.9%, 2.3%	11%, 5%		1.5%, 1.2%
<i>Weight for height</i>	% G, % B	3.3%, 2.8%	0%, 4%		1.7%, 1.4%

## **Appendix 7: Knowledge management, Learning and Innovation**

### **Learning: What has worked particularly well in this project during this period? What have been the reasons for this?**

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The efficiency of financial management is improved in 2012, as reflected in the accelerated reimbursement of eligible program expenditures incurred. Among the total reimbursement of USD 6.8 million, close to USD 5.1 million or 74.5% were reimbursed in 2012. This could be partly attributed to the decentralization of the review of expenditure receipts to the county BOFs in the process of claim document preparation and partly to the improved management of program accounting.

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### **Learning: What has not worked so well? What have been the reasons?**

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The PMOs mainly focus on the progress of delivery in the program implementation; inadequate attention is paid to ensuring the quality of module implementation. The implementation of production modules in some cases deviated from the program strategy and implementation modalities, which might to a certain extent, affect the achievement of module objective and consequently the program objectives if rectifications are not made.

Program M&E performs insufficiently.

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

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Currently no innovation is concluded for the program. Based on what was reported by the CPMOs, a few cases might have the potential, such as acquiring memberships of tea Coops with tea-planting land as their share, although results are yet to be demonstrated.

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### **Innovation: How might this be replicated by others, or upscaled here?**

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Not yet.

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### Appendix 8: Audit Log

<b>Project Name: Dabieshan Area Poverty Reduction Program - 766-CN (DAPRP)</b>						
<b>SUMMARY STATUS OF AUDIT OBSERVATIONS</b>						
Financial	Audit Observations as per Audit Reports		Audit Observations Settled		Audit Observations Outstanding	
Year	Numbers	Value (CNY'000)	Numbers	Value (CNY'000)	Numbers	Value (CNY'000)
2010	3	59,707	1	742	2	58,965
2011	2	32,690	1	123	1	Unknown
2012						
2013						
2014						
Total	5	59,707	2	865	3	Unknown

AUDIT OBSERVATIONS							
<b>Project Name: Dabieshan Area Poverty Reduction Program - 766-CN (DAPRP)</b>							
Serial No.	Financial Year	Class: Serious/General	Audit Ref.	Audit Observations	Amount (CNY'000)	PMO Action	Status: settled, partly settled, pending
1	2011	General		Dwelling of project funds in BOF of Huaibin county.	123	Funds were disbursed to the PMO.	Settled
2	2011	General		Un-delivery of counterpart funds.	32,567	Government addressed the issue by matching the program with local development projects, but results are yet to be demonstrated.	Partly settled
3	2011	General		Quality check and acceptance procedure for project works is not in place, based on documents submitted by Luoshan, Huaibin and Gushi counties.	0	PMOs held meeting for the IAs and Coops to address the issue.	Settled
4	2011	General		Slow progress of project implementation: The AWPB for 2011 was financially 65.2% completed.	0	PMOs made the IAs and Coops accelerate the implementation.	Partly settled
5	2011	General		Inadequate supporting documents for some expenditure incurred for beneficiaries' training.	0	PMOs adjusted the accounting by following the recommendation.	Settled
6	2011	General		Un-standardized project accounting, based on documents submitted by the PPMO and the CPMOs of Luoshan, Huaibin and Gushi counties.	0	Capacity building was provided to improve the project accounting.	Settled

## Appendix 9: Supervision Mission Schedule and Persons Met

### A. Mission Schedule:

06/09/2012: Mission's arrival in Xinyang prefecture  
 7-8/09/2012: Consultations with program parties and data collection  
 9-17/09/2012: Field visits in Xixian, Luoshan, Huangchuan and Gushi counties  
 18-20/09/2012: AM preparation, translation and agreement with program parties  
 21/09/2012: Wrap-up meeting  
 22/09/2012: Return to home-base

### B. Key Persons Met during Mission

Name	Sex	Position and Institution
<b>Meeting in Xinyang (07/09/2012)</b>		
Xu Xiaolin	M	PPMO Director
Guoyan	F	Chief of debt service office Xinyang BOF
Yin Hongbin	F	Program officer of PPMO
Hu Huanghuang	M	Section chief of Xinyang DRC
Li Daosheng	M	Program officer of PPMO
Tang Jinfu	M	Program officer of PPMO
Luo Qing	M	Program officer of PPMO
Liu Lulu	F	Program officer of PPMO
<b>Meeting in Xixian county (09/09/2012)</b>		
Fan Ruijie	M	Chief financial officer of Huaibin County DRC
Xu Yuan	M	Deputy Director of Huaibin CPMO
Du Shiguang	M	Deputy Director of Huaibin DRC
Li Chuanbao	M	Chairperson of Xixian County Livestock Association
Ge Baoxing	M	Chairperson of Xixian County Fishery Association
Dong Dianbin	M	Chairperson of Xixian County Forestry Association
Sun Min	F	Staff of Xixian WF
Zhou Min	M	Deputy Director of Xixian Livestock Bureau
Xu Youyuan	M	Staff of Xixian County BOF
Wan Baohua	M	Deputy Director of Xixian BOST
Ji Zhongwu	M	Chief Engineer of Xixian County Forestry Bureau
Xu Zhe	M	Staff of Xixian Agricultural Office
Xu Jidong	M	Accountant of Xiaohuidian Fishery Association of Xixian
Yang Tingsong	M	Director of Xixian County DRC
Sun Guiwen	M	Xixian CPMO Director
Chang Shu	F	Staff of Xixian CPMO
Pan Yehua	M	Staff of Xixian CPMO
<b>Meeting in Luoshan county (11/09/2012)</b>		
Li Shusheng	M	Deputy Director of Luoshan Tea Industry Office
Yang Zhigang	M	Deputy Director of Luoshan Aquaculture Office
He Shen	M	Chairperson of Luoshan Hongyuan Cooperative
Ying Ming	M	Deputy Director of Luoshan Livestock Bureau
Liu Shiqing	F	Shangcheng CPMO Director
Yu Qiang	M	Staff of Shangcheng CPMO
Yang Yongqing	F	Chairperson of Shangcheng WF
Wu Gang	M	Staff of Changyuan Cooperative
Gong Tinghui	M	Staff of Luoshan Huanyu Tea Cooperative
Jiang Guohui	M	Vice Chair of Luoshan Youdian Aquaculture Association
Bi Yansong	M	Staff of Luoshan Xingmao Cooperative
Chen Xiaohui	F	Chairperson of Luoshan Luying Cooperative
Ren Benming	M	Deputy Director of Huangchuan CPMO
Xu Dehui	M	Deputy Director of Huangchuan CPMO

Dai Jie	M	Accountant of Huangchuan CPMO
Dong Lin	M	Chairperson of Huangchuan Wenyao Aquaculture Coop
Liu Peixian	M	Staff of Luoshan Wuyun Cooperative
Tan Bo	M	Staff of Luoshan County Livestock Bureau
Ma Jian	M	Vice Chairperson of Shenlin Tea Association
Yang Jinzhang	M	Luoshan Farm Duputy Director
Bao Shizhu	M	Staff of Luoshan BOST
Deng Qinghua	F	Vice Chairperson of Luoshan WF
Lu Ying	M	Staff of Luoshan CPMO
Jiang Liping	F	Staff of Luoshan CPMO
Liu Cheng	M	Staff of Luoshan CPMO
Yuan Jiye	M	Deputy Director of Luoshan CPMO
Zheng Junrong	F	Deputy Director of Luoshan CPMO
<b>Meeting in Gushi county (14/09/2012)</b>		
Li Zhengqun	M	Deputy Director of Guangshan County DRC
Gao Shanlai	M	Deputy Director of Guangshan County PAO
Huang Qing	F	Vice Chairperson of Guangshan County WF
Sun Jun	M	Deputy Director of Gushi BOST
Zheng Guoying	M	Deputy Director of Gushi BOF
Wang Yongshan	M	Deputy Director of Gushi PAO
Ren Bike	M	Staff of Gushi Forestry Bureau
Jiang Ran	F	Staff of Xinxian CPMO
Zhang Xiangwei	F	Vice Chairperson of Xinxian WF
Hu Changfeng	M	Deputy Director of Xinxian CPMO
Xiao Yan	F	Staff of Xinxian CPMO
Zheng Lequan	M	Staff of Xinxian PAO
Jiang Shicheng	M	Xinxian CPMO Director
Yang Changming	M	Director of Foreign Capital of Xinxian County
Dong Xinan	M	Staff of Xinxian Tea Industry Office
Wang Chengtian	M	Staff of Gushi Willow Crafts Cooperative
Lu Wenran	M	Accountant of Gushi Willow Crafts Cooperative
Tao Wei	M	Deputy Chairperson of Gushi WF
Li Baocheng	M	Accountant of Gushi Jiaming Tea Cooperative
Cai Zhangyao	M	Director of Local Product Office of Gushi
Chen Lixin	M	Staff of Gushi Livestock Bureau
Zhang Jiaming	M	Vice Chairperson of Gushi Yongxing Pig Farming Coop
Yang Baoping	F	Staff of Gushi BOST
Li Shimin	M	Director of Gushi CPMO
Lu Quanxin	M	Deputy Director of Gushi CPMO
Zhang Shijun	M	Deputy Director of Gushi CPMO
Luo Hongxue	F	Staff of Gushi CPMO
Liu Jian	M	Accountant of Gushi CPMO
Xu Xiaolin	M	PPMO Director
Guoyan	F	Chief of debt service office Xinyang BOF
Yin Hongbin	F	Program officer of PPMO
Hu Huanghuang	M	Section chief of Xinyang DRC
Li Daosheng	M	Program officer of PPMO
Tang Jinfu	M	Program officer of PPMO
Luo Qing	M	Program officer of PPMO
Liu Lulu	F	Program officer of PPMO
<b>Wrap-up meeting in Xinyang (21/09/2012)</b>		
Liu Sheng'An	M	Division director of the national PAO
Su Zhengyao	M	Section chief, prefecture PAO
Lei Qian hai	M	Deputy director of prefecture BOF
Guo Yan	F	Section chief, prefecture BOF
Xu Xiaolin	M	PPMO Director
Li Daosheng	M	Program officer of PPMO
Luo Qing	M	Program officer of PPMO

Yin Hongbin	F	Program officer of PPMO
Hu Huanghuang	M	Section chief of Xinyang DRC
Liu Lulu	F	Program officer of PPMO
Tao wei	F	Deputy director of prefecture WF
Li Zhengqun	M	Deputy director of Guangshan CPMO
Ren Benming	M	Deputy director of Huangchuan CPMO
Sun Guiwen	M	Deputy director of Xixian CPMO
Jiang Shicheng	M	Deputy director of Xinxian CPMO
Zhang Shijun	M	Deputy director of Gushi CPMO
Liu Shiqing	F	Director of Shangcheng CPMO
Xu Yuan	M	Deputy director of Huaibin CPMO
Zheng Junrong	F	Deputy director of Luoshan CPMO

**Appendix 10: Summary of implementation support provided by IFAD**

Date	Support
March 2012	An IFAD follow-up mission and MOF jointly visited the program in March 2012 to review the overall status of the program implementation and management. The mission had detailed discussions with the program parties on how to improve the program's implementation and management, particularly in terms of program strategy and implementation modalities as well as financial management. Training on preparation for MTR was also provided. Actions to be taken for the program implementation and management were agreed by the Country Program Manager and the prefecture government.
July 2012	Officers from IFAD Beijing Office provided trainings to the staff of PPMO and CPMOs on the program M&E, program implementation and management, targeting, participatory approach, gender focus, and sustainability.
September 2012	<p>MTR mission: (i) reviewed the strategic adaptability and effectiveness of the program interventions and their alignment with local development priorities and beneficiary needs in view of the anticipated objectives; (ii) reviewed the institutional performance in management coordination and implementation, the quality of conduct of the modules and their activities, the compliance with the loan agreements and follow up to recommendations of the previous IFAD missions, including cross cutting themes such as targeting, participation, gender and knowledge management; and (iii) assessed the appropriateness of adjustments proposed by PMOs to prioritize some program activities against the implementation experiences gained since program start up and changes happened since time of appraisal; and (iv) analysed problems encountered during program implementation and providing as-required recommendations for the remaining period of the program.</p> <p>During the mission, training on financial management was provided by IFAD CFS Financial Officer, Ms. Irene Li and officer of IFAD Beijing Regional Office, Ms. Han Lei, during 18-19 September 2012.</p>