



Investing in rural people

## People's Republic of China

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### Dabieshan Area Poverty Reduction Program (DAPRP)

#### Supervision report

#### Main report and appendices

Mission Dates: 4-14 May 2015  
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Asia and the Pacific  
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## **Table of Contents**

A.	Introduction	1
B.	Overall assessment of programme implementation	1
C.	Outputs and outcomes	3
D.	Programme implementation Progress	6
E.	Fiduciary aspects	8
F.	Sustainability	11
G.	Other	13
H.	Conclusion	13

## **Appendices**

Appendix 1:	Summary of project status and ratings	15
Appendix 2:	Updated logical framework: Progress against objectives, outcomes and outputs	17
Appendix 3:	Progress against previous mission's recommendations	21
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	25
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category	27
Appendix 6:	Compliance with legal covenants: Status of implementation	29
Appendix 7:	Knowledge management: Learning and Innovation	31

### CURRENCY EQUIVALENTS

Currency Unit	=	Yuan (CNY)
USD 1.00	=	CNY 6.8 (Appraisal)
USD 1.00	=	CNY 6.31 (MTR)
USD 1.00	=	CNY 6.13 (Current)

### WEIGHTS AND MEASURES

1 ha	=	15 mu
1 mu	=	0.067 ha

### 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
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

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

1. The Dabieshan Area Poverty Reduction Program (DAPRP) was approved by IFAD's Executive Board on 15 December 2008, became effective on 19 August 2009 for a six-year implementation period, and planned to be completed on 30 September 2015. At mid-term review (MTR) conducted in September 2012, the program costs were estimated to be USD 70.85 million, including an IFAD loan of USD 31.86 million (SDR 21.438 million) and counterpart financing of USD 38.99 million. The program aims to reach about 77,000 households in 720 villages in 8 counties of Xinyang Prefecture, to help reduce rural poverty in a sustainable and gender equitable way, by developing successful and innovative pilot approaches that lead to improved revenues. The program takes the modular approach following the same since its adoption in the previous program in Xinjiang. The program includes three components, i.e. (i) agricultural development and market access, through technical extension (module 1), economic crop, livestock and fishery production (modules 2-7) and through supporting farmer cooperatives (module 8); (ii) strategic support to the very poor, through village development fund (module 9) and poor women's capacity building (modules 10); and (iii) program management.

2. An IFAD supervision and implementation support (SIS) mission visited the program during 4-14 May 2015. The mission focused on three major areas: a) review and support the program on its strategic adaptability and effectiveness of the program interventions and their alignment with local development priorities and possibility of replication, particularly relating to the pro-poor performance of farmer cooperatives; b) assess the physical and financial progress of the program; the efficiency of institutional performance especially relating to technical, fiduciary and management aspects; and the output and outcome of program modules; c) support the deployment of exit arrangements for sustainable impact of program values and introduced mechanisms and systems. The mission also followed-up the responses of the program to the recommendations made by the 2014 SIS mission and provided trainings to the prefecture PMO (PPMO) and all the county PMOs (CPMOs) on the readiness for the program completion process.

3. The mission had discussions and consultations with the stakeholders of prefecture and county levels, including the prefecture PMO and Bureau of Finance (BOF) as well as the PMOs, BOFs and implementing agencies (IAs) of the counties visited. Field visits were conducted in 5 villages and 4 townships of Gushi and Luoshan counties to capture the details and performance of program implementation during 6-10 May 2015. Wrap-up meeting for the mission was held in Xinyang on the 14<sup>th</sup> May 2015, which was chaired by Mr. Zhu Shifeng, the Deputy Secretary-General of Xinyang Prefecture Government and attended by the official representatives from the provincial Department of Finance (DOF), prefecture BOF and the PMOs of prefecture and all program counties.

4. The mission would like to express its sincere gratitude to the hospitality and good cooperation provided by the Government and the relevant institutions at all levels. The mission's thanks also go to those farmer cooperatives, villages and farmer households the mission visited for their invaluable contributions.

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

5. *Overall performance of the program implementation is rated moderately satisfactory (4).* The program reported a cumulative financial progress of 88.3% against the approved target by end of December 2014, indicating an incremental growth of 2.5% compared to June 2014; by financiers this achievement presented 91.8% for IFAD loan and 85.5% for counterpart financing. By component, the agricultural production and market access component recorded an average financial progress of 94.7%, ranging from 81% to 106% between modules; whilst the strategic support to the very poor component reported an average achievement of 88.1%, ranging from 84% for the module of capacity building for poor women to 91% for the module of village development funds. By county, the reported financial progress ranged from the lowest 78% for Huaibin and Huangchuan counties to the highest 98% for Gushi county. Physically, majority of the program activities recorded progresses over 90% against their respective targets and more than half of them reached 100% of targets. Although the

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<sup>1</sup> The mission consisted of Mr He Qibin, team leader; Mr Du Yintang Farmer Cooperatives Specialist; and Ms Han Lei, IFAD Associate country project officer for China and financial management specialist.

reported financial and physical progress could be considered satisfactory, the overall performance of program implementation and management is not convincing. While putting forward financial delivery and physical progress, inadequate attention was paid to ensuring the effectiveness of some program modules.

6. The Annual Work Plan and Budget (AWPB) for 2014 was 61% attained in financial term. The annual plan for the technical envoy and economic trees modules were over 100% completed; whereas the pig raising and poultry raising modules were not implemented. The reasons might have resulted from the changes of livestock development strategy in rural area in addition to low prices for pig and poultry in the year. The fear of avian influenza outbreak also stopped farmers from engaging into small scale household based commercial raising of poultry. The village development funds module was delivered only 26.7% against its AWPB due to reduced interest of the designated implementing agency in participating in the module implementation as a result of low IFAD financing and relatively complicated reimbursement procedure for expenditures incurred.

7. With exceptions to the poultry raising and village development funds module, continued implementation for other modules are included in the 2015 AWPB; but the implementation progresses for January to April 2015 were not reported. Implementation for the fish pond system module and rice-fish module were discontinued after MTR since the module support in most cases ended up at the involved cooperatives with limited linkage with the target groups, which was not in compliance with the objectives and strategy of the modules. It is noted that part of the resources for the technical envoy and capacity building for poor women modules have reallocated to implement the economic trees module, due to inadequate capacity of the IAs, particularly in advancing the module implementation.

8. Actions, including meetings, trainings and cross-county knowledge sharing were taken to address the recommendations made by the 2014 SIS mission. Enhancement was noted for the program M&E and knowledge management. However, low disbursement rate of the IFAD loan funds continued to be an issue for the program. By the time when the mission was presence, the disbursement rate was 60% only, excluding the authorized amount. This indicated an incremental growth of about 12% compared to August 2014. The program continued suffering from a big gap between the reported financial progress and the actual disbursement for the IFAD loan, 91.8% vs. 60%. Such a big lag in reimbursement has aggravated the availability of funds for program implementation and on the other hand it affected the participation of implementing agencies (IAs) and farmer cooperatives in the program implementation since large amount of funds they have advanced are not able to be reimbursed. The major causes for the slow reimbursement disbursement include: (i) the long process for checking, review and approval of WAs in ensuring the eligibility of expenditures; and (ii) over detailed supporting documents or official expenditure receipt required for each of the expenditures since many activities each with small amount of expenditure relating to farmers have no contract and could not obtain official receipts. Although the PPMO prepared a reimbursement plan after the last SIS mission, the plan was not attained due to the same reasons mentioned above. It would be likely that the program will not able to achieve 100% disbursement of the IFAD loan even if the implementation can be 100% completed. As a borrower however, China government always expects that all IFAD-funded projects would be 100% delivery and 100% disbursement of the loan proceeds. The PPMO should review and discuss with each county PMO and make a specific schedule on reimbursement of expenditures for the coming 10 months and the CPMOs should prepare and submit their claim documents more frequently without waiting for receiving previous claims, since the Program Account will be closed in about 10 months, on 31 March 2016.

9. The mission provided one day's training to the prefecture and all county PMOs on the readiness for the program completion process, with focuses on development of a plan for the completion process, data gathering and analysis including a program completion survey, stakeholder workshops and preparation of program completion report.

Agreed action	Responsibility	Agreed date
The PPMO should review and discuss with each county PMO and make a specific schedule on reimbursement of expenditures for the coming 10 months and the CPMOs should prepare/submit their claim documents more frequently without waiting to receive the previous claims, since the Program Account will be closed in about 10 months, on 31 March 2016.	PPMO & CPMOs	From mid-May 2015
For readiness of the program completion process, (i) the PPMO will prepare a time schedule for the program completion process and submit it to IFAD Beijing Office by before end of May 2015; (ii) the PPMO will organise a program completion survey to assess the program outcomes and impact, including the RIMS survey, from June to September 2015. The PPMO may organise cross-province learning exercises for preparation of the program completion; (iii) organise stakeholder workshops from August to November 2015; and (iv) prepare a program completion report and make it available to IFAD before end of January 2016.	PPMO	From mid-May 2015 to January 2016

### C. Outputs and outcomes

10. The program includes 10 modules under the three components 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.

11. **Component A.1: Technical envoy (TE) (Module 1).** *The performance of TE module is rated moderately satisfactory (4).* This module recorded a cumulative financial achievement of about 93.2% against its total target and the annual achievement for 2014 was 104% attained against its AWPB. Cumulatively, 543 TEs were trained with updated technologies and assigned to providing technical services in 309 administrative villages, 19 of them were assigned in 2014; 81,476 farmers received technical services from the TEs and 56% of them were women; and 63,091 farmer households benefited from the module implementation.

12. The effectiveness of technology transfer was not well captured and documented. Results from the mid-term survey carried out in 2012 indicated that the adoption rate of recommended technologies was 52%. The previous SIS and follow-up missions also noted that the module implementation mainly focused on delivery progress, such as the number of TEs assigned and number of farmers trained. Although in some cases new technologies are enabling farmers to increase productivity and income through the promotion of new varieties of crops and improved technologies such as tea production, limited efforts were made to introduce new elements to the present operation of the technical envoy system in the eight counties. The project's role was mainly the provisions of incentives that were not always linked with performances to establish a team of experts for technical services to farmers. In some counties such services were demand based and tailored to the needs of farmers, mainly in connection with farmer cooperatives. In less effective cases the technical envoys were allotted with a sum of subsidy and they determine what they can do about their time or wait to be called for occasional lecturing. The added value of the DAPRP was to introduce participatory and more responsive technical services, with performance based incentive system or even to an advanced stage of risk and benefit sharing mutual accountability mechanism. In terms of performance for this module implementation, no evident improvement was noted since the last SIS mission.

13. **Component A.2: Economic trees (Module 2).** *The performance of economic trees module is rated moderately satisfactory (4).* This module recorded a cumulative financial progress of 98.7% against the total target by December 2014 and the annual delivery for 2014 was 151% against its AWPB. Implementation of this module continues in 2015 by using the resources reallocated from the technical envoy and capacity building for poor women modules. Reportedly 29,589 farmer households have directly benefited from participating in the module implementation, 37,141 farmers were trained on the development of economic trees and 57% of them were women.

14. Implementation of this module is undertaken by farmer cooperatives. Involvement of the designated IAs in the implementation has been very limited until MTR of the program when the program adopted acceptance check mechanism to satisfy disbursement requirement, in which the IAs are requested to join the CPMOs and BOF to conduct the module completion acceptance check and

validation. Inclusion of farmer cooperatives in the module implementation might have contributed to the promotion of the large scale commercial development of economic tree products in a contiguous area, facilitating improving the product quality as a result of unified management and enhancing the linkage between producers and markets. Field visits indicated that many farmers have truly increased income by adhering to farmer cooperatives for economic trees production. An example is the tea production in Gushi county where the Jiaming Tea Farmer Cooperative has successfully developed its quality products with famous trademark. Nevertheless the little involvement of IAs in the implementation limited the program's outreach to the smallholder farmers in remoter area. On the other hand the module implementation may have missed the opportunities of incorporating the program activities with the IAs' sector planning and technical advancement that these technical agencies are advocating. Therefore the cooperatives have to advance the module implementation with their own resources.

15. **Component A.3: Cash crops and medicinal plants (Module 3).** *The performance of cash crops and medicinal plants module is rated moderately satisfactory (4).* The cumulative financial progress for this module was reported at 97.8% against the total target by December 2014 and the annual achievement in 2014 was 85.8% of the AWPB. The key outputs included about 856 ha of cash crops and medicinal plants developed, such as Japonica rice, low-gluten wheat, medicinal herbs and glutinous rice; 13,308 farmers were trained and 57.88% of them were women.

16. Implementation of this module follows the same modality as for the economic trees module, undertaken by farmer cooperatives and limited involvement of the IAs, Bureaus of Agriculture. Reportedly, the module implementation increased the income of beneficiary households, ranging from CNY thousand to dozen of thousands a year depending on the activities engaged.

17. **Component A.4&5: Pig Raising and Poultry Raising (Modules 4 & 5).** *The performance of both pig raising and poultry raising modules is rated moderately satisfactory (4).* Implementation of these two modules is also taken by farmer cooperatives. The PPMO reported a cumulative financial delivery rate of 95% against its total target for the pig raising module and 81.4% for the poultry raising module by December 2014. Implementation for both modules was not planned for 2014, reportedly due to their little attractive to the target groups as a results of low product prices. A total of 11,019 households have directly benefited from the module support; 7,896 farmers (57.7 women) received training on pig raising and 6,217 farmers (59.4% women) trained on poultry raising. The contribution of pig and poultry raising to increasing farmers' income varied from year to year due to the great fluctuation of market prices. It is reported that some program-supported households have discontinued raising pigs and poultry due to the marginal profit since 2014. The fear of avian influenza outbreak also stopped some farmers from continuing the household based commercial raising of poultry.

18. **Component A.6&7: Fish Pond and Rice Fish (Modules 6 & 7).** *The performance of fish pond module is rated moderately unsatisfactory (3) and rice fish module moderately satisfactory (4).* Both modules aimed to increase the productivity and income of poor farmer households through the promotion of fish farming. The fishpond module focused on the availability of fishponds whose owners were poor and could not afford to the required investment for a normal rate of production. The rice fish module promoted the rice-fish system for farmers who owned a paddy rice field but having limited or no access to local water bodies. Implementation of both modules discontinued after MTR since the objectives and strategy of the designed fish pond module were overlooked without justification, the module support ended up at the involved cooperatives with limited linkage with the target groups. The rice fish module was not appreciated by the target groups due to low economic return. Totally, 390 farmer households benefited from implementation of the fish pond module and 145 households from rice fish module. A total of 678 farmers received training on fish farming, out of them women accounted for 55%. The mission visited the Hongyuan fish culture cooperative in Luoshan county and found that the cooperative is operating well, more than 300 households are benefiting from fish culture supported by the program. Although implementation for these two modules was discontinued after MTR, CPMOs should continue following-up those modules which have been delivered to assess their performance and conclude lessons learnt.

19. **Component A.8: Market Access through Cooperative Strengthening (Module 8).** *The performance of market access through cooperative strengthening module is rated moderately*



*satisfactory (4)*. By the end of 2014, the cumulative financial achievement for this module recorded at CNY 86.06 million, 91.8% of the total budget; out of this about CNY 5.3 million were spent in 2014, 121.7% against the 2014 AWPB. Cumulatively, 28,603 households have benefitted from this module, of which 84.4% reportedly belong to the poor and low-income farmer households; and 54.8% of the direct beneficiaries are women.

20. A total of 120 farmer cooperatives have been supported under the program, which covered 344 administrative villages (320 of them were categorized as poor). These cooperatives have a total membership of 47,893 people and 27,059 of them were new members after receiving the module support; and 67.6% of the new members were categorized as poor. It is also reported that the participating cooperatives have been equipped with 1346 sets of new value added facilities, introduced 99 new production technologies, and had 56 products certified.

21. All participating farmer cooperatives have benefited from implementing the production related modules despite the varied extent of their demands and resulted benefit from such support to the project target groups. Extending project benefit to poor households through farmer cooperatives has become an unavoidable path of the program since almost all production related activities channelled through farmer cooperatives in addition to the dedicated support to cooperatives on market access. As noted by last supervision mission, the extent and mode of benefit sharing by the targeted beneficiaries and by the cooperatives varied greatly among counties and cooperatives. Success of the program support and sustainability depends a lot on the adoption of pro-poor business model, the operating mechanism of the cooperatives, the access mode to markets, as well as on the extent of outreach to the eligible target groups.

22. Field visits and discussions indicate that PMOs have made efforts to improve the performance of cooperatives in terms of their pro-poor operations and outreach to the poor households. Several cross-project visits have been organized for knowledge sharing of good practices among the program participating cooperatives. It is noted that the closer the business relationship between a cooperative and an agro-enterprise, the more sustainable the cooperative accesses to markets, the clearer the beneficiaries' property rights in the cooperative, and the more effective the program sustains its objectives. Therefore the mission recommends the PMOs make more efforts to bridge and/or consolidate the business cooperation between the program-supported cooperatives with agro-enterprises for further enhancing market access as well as define and register the ownership of assets formed under the program in the cooperatives as part of the program exit arrangement.

23. **Component B.1: Village development funds (VDF) (Module 9)**. *The performance of VDF module is rated moderately satisfactory (4)*. This module recorded a cumulative financial progress of 90.6% against its total target by December 2014, benefiting 58 villages. The major activities were road construction and to a less extent building of irrigation schemes. Support to four villages was planned in 2014, but implementation was carried out in only one village; no implementation was planned for 2015. This may attributed to that the IAs, Poverty Alleviation Office (PAO), in some counties were unwilling to incorporate their activities with the program funds given the limited share of the IFAD loan (10%) in the whole module and stringent requirement on disbursement and subsequent audit.

24. The VDF module aims at improving community infrastructure and strengthening community capacity to plan and manage community development projects by complementing the Government's Integrated Village Advancement Program (IVAP). Formulation of village development plan (VDP) through participatory planning and establishment of village investment fund (VIF) were designed as important elements of the module. Since establishment of VIF at village level seemed not feasible, development of VDP through participatory planning should have obtained adequate attention in the implementation of this module. However, the module objective might have been overlooked in its design. The implementation mainly focused on the delivery, without paying adequate attention to the participatory planning. The limited involvement of PAO at design and implementation stage was a major constraint for subsequent compliance to module design features. Previous missions recommended the CPMOs to enhance the operation and maintenance (O&M) of program-built public infrastructures by establishing effective O&M groups and mechanism, but the mission hardly evidenced such scheme in place. This mission again emphasized on the necessity of establishing such mechanism for the program sustainability, particularly the program is closing to its completion.

25. **Component B.2: Capacity building for poor women (Module 10).** *The performance of this module is rated moderately satisfactory (4).* This module intends to enhance the capacity of women federations and rural women through offering capacity building services. The module's cumulative financial progress was reported at 84% against its total target by December 2014 and the annual financial achievement for 2014 was 80.6% against the AWPB. Reportedly, 74 Women Federation (WF) staffs and 8,459 women farmers were trained. The training for women farmers was mainly on new technologies on crops and livestock production and skills for off-farm income generating activities.

26. The delivery of the capacity building for poor women module was one of the lowest among all the 10 modules. This slow progress was reportedly due to inadequate capacity of WFs in implementing the module as a result of limited number of staff in each county WF. However, the previous missions observed that the more important reason for it was the delayed reimbursement of expenditures incurred and the unavailability of adequate advancement by WFs for the implementation. The designed targets for this module would not able to be fully attained during the remaining period. Part of the resources allocated to this module has been reallocated to implement the agricultural production modules in the 2015 AWPB. The mission recommends that the program implementation should continue focus on benefiting women in the remaining implementation period even part of the resources for the capacity building for poor women module has been reallocated to the implementation of other modules.

Agreed action	Responsibility	Agreed date
CPMOs will assess the effectiveness of the technical envoy and agricultural production modules in achieving the objectives and conclude the lessons learnt, which may include the adoption rate of recommended technologies, how to enhance the effectiveness of technology transfer, and income increase from module implementation, etc.	PPMO & CPMOs	June 2015
PMOs make more efforts to bridge and/or consolidate the business cooperation between the program-supported cooperatives with agro-enterprises for further enhancing market access as well as define and register the ownership of assets formed under the program in the cooperatives as part of the program exit arrangement.	PPMO & CPMOs	Before end of Sep 2015
CPMOs will continue following-up those fish pond system and rice fish modules which have been delivered to assess their performance and conclude lessons learnt.	CPMOs	From June 2015
CPMOs will coordinate with the IAs to establish effective O&M groups and mechanisms for sustainability of the program-built infrastructures.	CPMOs & IAs	Before end of Sep 2015
The program implementation will continue focus on benefiting women even part of the resources for the capacity building for poor women module has been reallocated to the implementation of other modules.	CPMOs	From mid-May 2015

#### D. Programme implementation Progress

27. **Program management.** *The performance of program management is rated moderately satisfactory (4).* The program management structure maintains the same as it was established in the beginning of the program implementation, including a Program Coordination Office at province level (PPCO), Program Leading Groups (PLGs) and Program Management Offices (PMOs) at prefecture and county levels, township PMOs and Village Implementing Groups (VIGs). The PMOs continued the program management, coordination, monitoring and reporting, but their performances continued to be plagued by inadequate number of full-time staffs and/or inadequate capacity, particularly for Huaibin and Huangchuan PMOs. Limited recurrent costs for the CPMOs also curtailed their functioning. These were reported as the key factors affecting the program implementation and the reimbursement of expenditures. A relative better situation was found for Gushi and Luoshan CPMOs.

28. Reportedly, township PMOs and VIGs continued being included in the program implementation and M&E, but their performance also varied greatly. Most township PMOs cannot perform their responsibilities as designed. VIGs continue to play an important role in beneficiary selection, on-the-ground implementation, information collection for monitoring, and identification of post-project O&M mechanisms; whereas some VIGs were not functioning well. In some cases the inclusion of township PMOs and VIGs in the program was only for satisfying the requirement of program design.

29. Development of the program AWPBs continued engaging the IAs and farmer cooperatives. Implementation of the program followed the approved AWPBs in general, but in most cases the targets set in the AWPBs were not achieved due to the slow reimbursement of expenditures incurred

and limited capacity of continuous advancement by the IAs and farmer cooperatives. The 2014 AWPB represented 8.1% of the overall program target and it was 61.4% attained by the end of 2014. Although the overall cumulative delivery of the program has been reported at about 88.3% of the total target by December 2014, more efforts have to be made if 100% of the financial target is to be achieved by the program completion, September 2015. Particularly, part of the reported financial progress might need to be validated by the reimbursement of expenditures. Field visits and discussions indicated that great variations continued existing between counties in terms of effectiveness of program implementation and adequacy of program management. Gushi and Luoshan counties performed better than others, achieving good implementation progress and effectively increasing income of program target groups. This was largely attributed to the better understanding of program strategy by the management and implementers.

30. Since the program implementation will be ended in about 4 months, the mission provided one day's training to the PPMO and all CPMOs on the 8<sup>th</sup> May 2015 on the readiness for the program completion process. The training included (i) planning of the completion process; (ii) data collection and analysis, particularly the assessment of program outcomes and impact including a completion survey; (iii) stakeholder workshops to assess the performance and conclude lessons learnt; and (iv) preparation of the program completion report. A time schedule for the completion process was discussed and agreed by the PPMO.

31. **Monitoring and evaluation (M&E).** *The performance of M&E is rated moderately satisfactory (4).* The program continued presenting disaggregated M&E data in household categories and gender, providing a basis for assessing targeting effectiveness and women participation. Improvement of the program M&E is perceivable in terms of data consolidation at prefecture level. The consistency of data reported was also improved, although in a few cases further improvement is required.

32. The program M&E continued focusing on monitoring the inputs and outputs of program implementation, such as financial and physical deliveries, though even some key outputs have not yet been reported, such as the infrastructures built by type, the area of cash crops and tree crops developed, and well-performing and weak cooperatives, etc. These outputs are important for preparation of the program completion and they should be included into the M&E reporting system. The monitoring of program outcomes and impact continued to be very limited. Although the program carried out a mid-term RIMS survey in early 2012 to assess the outcomes and impact of the program, data from the survey was not adequately analyzed and the survey report was not well prepared, without including the IFAD key impact indicators: "number of households with improvement in household asset ownership index" and "prevalence of under 5-year old children's malnutrition". In addition, some other outcome indicators, such as the farmers' average per capita net income over years for the program area, well-functioning/sustainable cooperatives providing effective services to their members established, and module effect in terms of productivity and income increase to farmers etc., should also be included in the reporting system to reflect the program contributions to the enhanced livelihoods of farmers. These should be included in the data gathering and analysis of the program completion process. It is agreed that a program completion survey will be carried out from June to September 2015 to assess the program outcomes and impact.

33. **Gender focus.** *Gender focus of the program is rated moderately satisfactory (4).* Based on the M&E data reported by the PPMO, the program is gender sensitive in its implementation. Out of the totally 133,662 farmers trained by the program, close to 60% of them were women. In terms of trainings for technical staffs and PMO staffs, women also accounted for 42% (1,246) of the total, 2,936. A total of 59,336 farmers have been reported directly participating in the production activities of modules 1 to 8, of whom women participants accounted for 57% of the total. However, the capacity building for poor women module, which was specifically designed for women, recorded the lowest delivery rate (84%) among all the ten modules. This was reportedly due to the inadequate capacity of some county WFs in implementing the module, limited number of staffs in WFs and particularly inadequate capacity in advancing the module implementation as a result of limited counterpart funds available timely. This has resulted in a reallocation of resources from the capacity building for poor women module to the agricultural production modules in the 2015 AWPB.

34. **Poverty focus.** *Poverty focus of the program is rated moderately satisfactory (4).* The PPMO's M&E data reported that out of the total 549 administrative villages which have been covered by the

program, 486 of them (89%) were categorized as poor. Totally 70,841 farmer households have directly benefited from the program by participating in the various program-supported production activities, the very poor and poor households accounted for 89.7%, ranging from 82.8% to 91.7% between modules. These results indicated a good poverty focus during the program implementation. Field visits and discussions also indicated that in many cases the program implementation well targeted to the poor households, although in some cases above-average well-being households were also included for geographically contiguous development of cash crops and tree crops. This is considered acceptable particularly in the case of tea plantations development since contiguous development would facilitate the management and enhancing the quality of products. Nevertheless, cases of targeting to better-off households were also noted during the implementation of other modules which were not necessary for contiguous development. This was true for those poorly-performing cooperatives that directly implemented the modules.

**35. Effectiveness of targeting approach.** *The effectiveness of targeting approach is rated moderately satisfactory (4).* Targeting approach of the program includes two stages: (i) the nationally-designated poverty counties were identified before the program design and only those poorer villages and townships within a county were selected to compose the program area at design stage; (ii) households in selected villages were categorized by VIGs/PMOs before the program implementation and priority of the program support would be given to the poorer households and women. The targeting strategy itself is effective, although in some cases the process of household selection was not adequately transparent, resulting in some bias selection of households by the village leaders or the less pro-poor farmer cooperatives.

**36. Innovation and learning.** *Performance of innovation and learning is rated moderately satisfactory (4).* As a result of responses to the recommendation made by the last SIS mission and also the need for preparation of the program completion report, knowledge management for the program has been improved to certain extent. More than 3000 photos, 51 mini-stories, 36 case analyses, 25 summaries on cooperatives knowledge sharing, and 25 videos were collected. One mini-story, one case analysis and more than 10 photos were submitted to IFAD Beijing Office for knowledge sharing. Several cross-county and cross-cooperative visits were organised for knowledge sharing of good practices. The PMOs also presented a few good examples of the program implementation to the mission. As part of the program completion process, more efforts are needed to conclude and document the lessons learnt from the program implementation, particularly on the modalities: how to cooperate with farmer cooperatives in targeting the rural poor, both successful and failure cases.

**37.** One of the lessons learnt from the program could be: program implementation fully undertaken by farmer cooperatives might have difficulties to well target to the poor selectively, but cooperation with the well-performed farmer cooperatives would be a good option in promoting market-oriented commercial production of agriculture in a large scale of contiguous area, which at the same time could effectively increase the revenue of poor farmers covered. Farmer cooperative is also a good platform bridging farm producers and markets.

Agreed action	Responsibility	Agreed date
Key output and outcome indicators will be included in the data gathering and analysis of the program completion process to better assess the program results.	PPMO & CPMOs	From mid-May 2015
PMOs will organise a program completion survey for an overall assessment of the program's outcomes and impact before the program completion.	PPMO & CPMOs	Jun to Sep 2015
PMOs will make more efforts conclude and document the lessons learnt from the program implementation, particularly on the modalities: how to cooperate with farmer cooperatives in targeting the rural poor, both successful and failure cases.	PPMO & CPMOs	From June 2015

## E. Fiduciary aspects

**38. Financial management.** *Financial management of the program is rated moderately satisfactory (4).* In general, DAPRP has established financial management structure which complies with the Financing Agreement. Financial management duties are segregated among DOF, BOFs and PMOs at each level. Over the past two years, both PPMO and CPMOs have undertaken a range of measures on further improving its financial record maintenance and reimbursement of incurred expenditures. However, the high rate of staff turnover and under staffing at PPMO and CPMOs

became main barriers limiting the advancement of staff capacity for professional financial management.

39. The project has applied three steps control activities to improve the accuracy and completeness of expenditures and withdrawal documents submitted. In addition to that, some County BOFs have recently added another round of review over same incurred expenditures submitted by county PMOs. These measures have achieved risk-oriented assurance results to some extent and enhanced the quality of WA submitted. However, the review and control points are fragmented and inefficient. Average time for document reviewing took more than one and half month. The sluggish processes have dragged down the flow of funds, approximately three months to six months from submission of eligible expenditures incurred to BOFs, PPMO and DOF, until claims flowed in the project accounts from the SA. The mission recommended the project streamline the standard procedure for document reviewing with a clear deadline at each level. The overall flow of fund shall be limited to 1 month to 3 months from submission of WA to payment while the reviewing shall be completed in 2-3 weeks. Another internal control weakness is manual FM processing and recording, neither the PPMO nor any CPMOs has applied computerized accounting software which affect finance reporting effectiveness.

40. **Disbursement.** *Disbursement of the loan funds for the program is rated moderately unsatisfactory (3).* There is consistent increase on overall disbursement while the withdrawal has stalled in 2014. The actual disbursement rate has reached 60%, a slight increase from last year. In accordance with the IFAD Corporate Project Disbursement Profile (PDP), the disbursement rate should by now have reached 90% of the total approved program cost. The disbursement rate only represents 67% of the PDP benchmark of 90%. The project will be completed in four months and it is unlikely to be fully disbursed at the time of project closure in March 2016. The mission advised the Project to carefully manage completion and prepare withdrawal applications in a timely fashion. PPMO and CPMOs should put further efforts to expedite disbursements to secure at least 90% of the approved amount to be disbursed by project financial closure. Both Category II and Category IV on training and capacity building activities are unlikely to be fully completed as per initial design.

41. The mission noticed the SA was not replenished frequently since its effectiveness, only 10 withdrawal applications (WAs) made in past 4.5 years. As of 30 April 2015, the balance of the SA stood at USD 1,619,346.0 while the accumulative expenditures is around USD22,481,792.11, including USD 3 million of initial deposit. One withdrawal application in amount of USD 1.5 million was disbursed by the SA and ready to submit to IFAD for replenishment by end of May. Other WAs in the amount of around USD 1 million is under review by the PPMO while additional requests in an estimated amount of USD 2 million will be sent to the PPMO by end of June.

42. The project faces several challenges on full disbursement. Starting from 2014, the central government has issued restrictions on purchasing vehicles and limited the numbers of annual trainings to be organized for government organizations. These new regulations hit hard on implementation of training and capacity building budget allocated under Category II and VI. Despite of that, the low disbursement rate is also attributable to: (i) uncertainty in secure counterpart funds at county level, (ii) delayed disbursement to IAs and Cooperatives; and (iii) fund retention at some County BOFs as identified by the auditor. All of these have become paradox that threatening effective implementation and discouraging project staff and IAs from active participation at county level. The mission went over the withdrawal monitoring table with individual counties and urged the project to adhere to the withdrawal and recovery plan.

43. **Project completion and Recovery Plan.** The mission reminded the project that all project activities must be concluded by completion date, which means that only eligible expenditures including payments made or due for activities concluded prior to the project completion date on 30 September 2015, as well as agreed expenditures for winding up the project, such as auditor's fees, limited operating costs, trainings and workshops for project completion, PCR report preparation, will be considered eligible. The mission advised the project prepare a detailed projection and gain non-objection from IFAD upon firming up of overall plan for project completion. The mission also requested the project to take measures to ensure that the final completion report and all withdrawal applications shall be submitted to IFAD by due time.

44. Given the project completion on 30 September 2015 and loan account closing on 30 March 2016, there is USD 3 million of initial deposit in the SA to be fully justified. The mission drew attention that timely replenishment of the SA is crucial in view of imminent closure of the project in 2015. The mission reviewed the recovery plan in the table below which have reflected the IFAD prior comments and requested the PPMO to adhere to the suggested recovery plan for the advance to the SA, preparation of the last financial statements and the final audit process.

WA No.	WA amount	Recovery amount		Disbursed Amount	SA balance	Submission to IFAD by
	USD	%	USD	USD	USD	
11	1,419,355	30%	425,806.45	993,548	2,574,194	5/31/2015
12	1,451,613	33%	479,032.26	972,581	2,095,161	8/31/2015
13	1,403,226	33%	463,064.52	940,161	1,632,097	10/31/2015
14	1,935,484	38%	735,483.87	1,200,000	896,613	11/31/2015
15	896,613	100%	896,612.90	0	0	1/31/2016
16 and 17	4,876,119			4,876,119		Before Closing
Total	11,982,410		3,000,000.00	8,982,410		

45. **SOE.** The mission reviewed the withdrawal application and SOE supporting documents maintained at CPMOs on random basis. The majority of project expenditures were below SOE thresholds. Supporting documents and related vouchers are traceable. The mission noted that the original supporting documents for withdrawal applications, such as invoices, bank transfer notes, contracts and procurement processes, were kept by the IAs and Cooperatives while CPMOs file copies of supporting documents.

46. **Counterpart funds.** *Performance of counterpart financing is rated moderately satisfactory (4).* As of December 2014, the project recorded over USD 29 million from the government as counterpart financing to IFAD Loan, which represents 76% of its total commitment. However, the module on strengthening of farmer cooperatives was unable to mobilize sufficient government co-financing in some counties and this weakness have led to limited implementation and targeting of project beneficiaries. The auditor pointed out incomplete accounting information was maintained for counterpart funds.

47. **Compliance with loan covenants.** *Compliance with loan covenants is rated satisfactory (5).* All loan covenants have been or are being complied with except covenant on sufficient counterpart funding at each level and timely disbursement processes (for details see Appendix 6).

48. **Procurement.** *Performance of procurement is rated moderately satisfactory (4).* Procurement is rated moderately satisfactory. The mission took note that there were no large volume procurement activities in previous year. The Annual Procurement Plan was submitted to IFAD and gained Non-Objection on time in 2015. The mission noted that the 2015 Procurement Plan did not envisage any procurement over the threshold of prior review. All procurement activities were arranged in line with government procedures. In WA No. 9 submitted in 2014, five over-threshold procurement cases were identified without IFAD prior review, three from Xinxian County and two from Xixian County. All cases are civil works under Village Development Fund module, amounting to approximately USD 403,959.75. The PPMO has submitted five cases to IFAD Procurement Officer for special permission to allow post review as exceptional cases and CPMOs are preparing supplementary documents as per request of IFAD. They have also presented the cases to the auditor for reviewing and opinion. The mission urged both counties to expedite document preparation and submitted translated bid evaluation document by end of May. Fixed assets log is maintained by individual PMO manually. The mission reminded the project to conduct physical verification to current fixed assets and label all furniture and computers properly for hand-over.

49. **Audit.** *The performance of audit is rated moderately satisfactory (4).* The project submitted both the unaudited consolidated annual financial statement and the audit report for financial year 2013 to IFAD timely by respective due date. The 2013 audit report was prepared by Henan Provincial Audit

Office and the auditors concluded that reviewed financial statements are in compliance with the terms and conditions specified in the Financing Agreement; an unqualified opinion was expressed, with five general issues raised. The auditor followed the International Audit Standards (ISA) in its auditing. The project financial statements were prepared in accordance with the Chinese Accounting Standards and applied accrual basis accountings. The auditor provided the management letter with a good set of information disclosing shortcoming of the project management in terms of procurement processes, internal control, and FM practises.

50. The quality of the Financial Reporting is partially Satisfactory and the assessment of the auditor performance is mostly Satisfactory. The major internal control issues raised by the auditors for 2013 included (i) delayed payment of project reimbursement funds around CNY 4 million, (ii) large cash payments to suppliers by cooperatives (iii) incomplete accounting information for counterpart funds ; (iv) accounting standards were not applied consistently; and (v) in consistent between the balance sheet and general ledger account at Cooperatives.

51. The PPMO submitted the mission their responses to the auditors with remedial actions taken by the CPMOs. The auditor conducted follow up review for previous year recommendation and will update the status in 2014 report. The mission reminded the auditor on submitting final audit before the Project Closing Date on 31 March 2016.

Agreed action	Responsibility	Agreed date
Implement WA submission plan for more frequent replenishment of the special account with a disbursement target of 90% of project appraisal.	DOF, CPMOs and PPMO	From mid-May 2015
Recovery of the initial advancement to the SA and maintain the key FM staff till the loan closing date.	DOF and PPMO	From mid-May 2015
Prepare budget for winding up from 1 October 2015 to 30 March 2016 and get IFAD non-objection.	PPMO	By 31 May 2015

## F. Sustainability

52. **Institutional sustainability.** *Institutional sustainability for the program is rated moderately satisfactory (4).* The governmental technical agencies at county and township levels and the farmer cooperatives are the main institutions involving in the program implementation. The technical agencies mainly undertake the responsibilities of technical support and guidance during the implementation, especially for those modules directly relating to crops and livestock production. Specific implementation of program activities is taken by the farmer cooperatives. Although the technical agencies' participation in the implementation is not adequate, their functioning is sustainable. In many cases they cooperate well with the farmer cooperatives for the development of local economy through large scale commercial production of agro-products. The program-supported farmer cooperatives will also sustain as their business interests will continue to grow, provided that they develop a strong and growing membership base and continue to provide responsive services to their members beyond the project completion. At village level, the VIGs established for assisting the program implementation will disappear by the program's completion, but the village committees, as the core part of VIGs, will sustain and provide their services to local farmers. However, the operation and maintenance (O&M) groups for the sustainability of program-built infrastructures are yet to be formed or operationalized.

53. **Social sustainability (Empowerment).** *Social sustainability is rated satisfactory (5).* With the program support, the farmer cooperatives have actually expanded their outreach to a larger number of poor households in the program area. This would enhance the community cohesion and build up the social capital. The enhanced capacity of village committees by participating in the program would also contribute to improving their capability in planning and managing community development projects. Reportedly, 133,662 farmers have received technical trainings from the program, they have actually changed their mind from passively participation in the program training activities in the beginning of program implementation to actively request training from the technical agencies and farmer cooperatives. The foreseeable continuous technical services in the program area will sustain the empowerment of beneficiaries.

54. **Economic and financial sustainability.** *Economic and financial sustainability is rated satisfactory (5).* Economic and financial sustainability of the program beneficiaries is reflected in four aspects: (i) enhanced capacity of beneficiaries through participating in the program would be the basis

to sustain their production and income generating activities; (ii) farmers' average per capital net income increased from CNY 4500 in 2009 to CNY 8514 in 2014 in the program area, which indicated an enhanced self-financing capacity of the beneficiaries; (iii) the program-supported cooperatives are more and more active in organising the farmers for market-oriented production of agro-products, although performances of the cooperatives vary greatly; and (iv) the government's policies are directing the financial institutions to further strengthen financial services in the rural area through lending.

**55. Technical sustainability.** *Technical sustainability is rated moderately satisfactory (4).* The program design includes capacity building for the technical staffs of extension agencies of agriculture, livestock and forestry sectors (IAs), aiming at enhancing the ability of technical services to rural farmers. The government is emphasizing on strengthening of technology transfer to rural area through improving the existing technical service institutions and assigning technical envoys, etc. The technical staffs also receive updated training from government's training projects in addition to the support from the program. There would be a strong backup of sustainable technical services in the program area. However, since most of the program modules are directly implemented by farmer cooperatives without adequate participation of the designated IAs, such as the Bureaus of Agriculture, Livestock and Forestry, and the performance of the cooperatives varied greatly, there would be some uncertainties in the sustainability of providing the same level of services to the program beneficiaries after the program's completion. This would call for a stronger inclusion of the IAs in the program implementation. It will also require strengthening the cooperative business model so that the members do not leave at project completion but remain engaged to develop the business, demand services, and provide financial contribution.

**56. Environmental sustainability.** *Environmental sustainability of the program is rated satisfactory (5).* The program promotes environmental-friendly practices to enhance the livelihoods of rural farmers. Many program activities, such as economic trees planting and the construction of biogas systems, have strong attributes of environmental improvement. They would contribute to: (i) rehabilitation of vegetation on hillside land; (ii) improvement of rural habitat's sanitation; and (iii) promotion of environment-friendly livestock-biogas-cropping farming model. The fish pond and rice fish modules may create some negative impact on water bodies if measures are not taken properly to prevent water pollution by fish feeds. However, technical services to the beneficiaries were incorporated with trainings on environment-friendly practices, which would contribute to minimizing possible pollution of the environment. Particularly, the government is paying more and more attentions to the protection and improvement of environment through issues of laws and regulation. The improved ecological environment and updated agricultural infrastructure would contribute to enhancing the resilience of smallholder farmers to climate changes, towards to building up a sustainable environment for development in a long run.

**57. Exit strategy.** *Exit strategy of the program is rated moderately satisfactory (4).* The program aims to increase income and reduce poverty of poor rural households through improved access to markets, services, technology and investment support, which are in line with the government's rural development and poverty reduction strategies. It is foreseeable that the government will continue to support the overall development of the program area after the program is completed, particularly in terms of strengthening technical transfer and developing market-oriented commercial production of agriculture. However, specific exit strategy for the program-supported farmer cooperatives needs to be defined, based on the assessment of their maturity status and performance. Weak cooperatives may need to be linked up to other programmes for additional support; good cooperatives should be helped to identify modalities for continued service provision to their members and financial sustainability; the stronger ones, for example the Jiaming tea cooperative and the Hongyuan fishery cooperative the mission visited in Gushi and Lushan counties respectively, plan to further advance their business, which requires more specialised support and trainings. The PPMO should expedite the preparation of post-program management guideline which would be used as guidance to the CPMOs and IAs in preparing respective detailed post-program management arrangement. In addition, CPMOs must ensure that all program-built infrastructures are well maintained by establishing efficient O&M groups and mechanisms, instead of simply handing over to local communities for operation.



Agreed action	Responsibility	Agreed date
PPMO will expedite the preparation of post-program management guideline which would be used as guidance to the CPMOs and IAs in preparing respective detailed post-program management arrangement.	PPMO	Before Sep 2015
CPMOs must ensure that all program-built infrastructures are well maintained by establishing efficient O&M groups and mechanisms, instead of simply handing over to local communities for operation.	CPMOs	Before Sep 2015

## G. Other

58. The mission's field visits and discussions indicated that the program has in many cases contributed to reducing rural poverty through increased income, although updated data on the program outcomes and impact were very limited due to inadequate attention paid by the PMOs in data gathering during implementation. Therefore, relevant government statistical data and results from the mid-term RIMS survey carried out in 2012 were used to assess the program impact.

59. **Physical and financial assets.** *The improvement of household physical and financial assets in the program area is rated moderately satisfactory (4).* Field visits indicated that the program has multi-dimensional impact on improving the livelihoods of program beneficiaries through developed cash crops, tree crops and livestock as well as off-farm income generating activities, although the share of the program's contribution to such improvement is difficult to be estimated quantitatively. Most farmer households reported increased household assets since 2009 when the program implementation was initiated. The PMOs carried out a mid-term RIMS survey to assess the outcomes and impact of the program in 2012. Results from the survey also revealed increased and/or improved household assets of beneficiaries, including improved houses and increased TV set, refrigerators and motorcycles. The "number of households with improvement in household asset ownership index", a key indicator for IFAD RIMS, was not analysed.

60. **Food security.** *The improvement of household physical and financial assets in the program area is rated satisfactory (5).* Results from the above-mentioned household survey indicated that more than 73% of households in the program area have increased grain production since the beginning of the program implementation. The number of households with hungry season decreased from 26% to 10% from 2009 to 2012. The governmental statistical data also showed that average per capita grain production in the program counties increased from 344 kg in 2009 to 728 kg in 2014, although the increase was not only attributable to the program but a joint effect of multi-factors.

61. **Increase in incomes.** The mission's field visits and discussions indicated that implementation of the program has contributed to increasing the income of beneficiary households through development of economic trees, cash crops, livestock and fish culture, although the increase varied depending on the activities engaged. Government's statistical data indicated that average farmers' per capita annual net income in the program counties increased from CNY 4,500 in 2009 to CNY 8514 in 2014 as a result of joint effects, including the program contributions.

62. **Policy impact.** No significant impact of the program on government policy can be concluded by the mission.

## H. Conclusion

63. The program is in line with the government strategy for rural development and poverty reduction. Implementation of the program has in many cases enhanced the revenue of beneficiaries through increased production and improved market access, etc. The mission's field visits confirmed such positive impact of the program.

64. Whilst the program reported a good progress of overall implementation, the targets for some program modules, including the technical envoy, poultry raising, village development funds and the capacity building for poor women modules, are unlikely to be fully attained. The reasons are either limited capacity of IAs' pre-financing the implementation, slow reimbursement of expenditures incurred and/or inadequate capacity of the IAs for the implementation.

65. Low disbursement rate of the IFAD loan funds continued to be an issue. The gap between the reported financial progress and the actual disbursement for the IFAD loan was over 30% of the total amount of approved loan proceeds, 91.8% vs. 60%. This has affected the activeness of implementing

agencies (IAs) and farmer cooperatives in participating in the program implementation since large amount of funds they have advanced are not able to be reimbursed timely. Discussions with the PPMO indicated that the program implementation would be able to be 100% or close to 100% completed, but it would be unlikely to reach 100% disbursement of the IFAD loan proceeds by the date of program closing.

66. Given that the program implementation will be ended in about four months, the mission discussed with the PPMO on the program completion process. It is agreed that (i) PPMO will organise a program completion survey to assess the program outcomes and impact, including the RIMS survey, from June to September 2015; (ii) organise stakeholder workshops from August to November 2015; and (iii) prepare a program completion report and make it available to IFAD before end of January 2016.

67. PPMO will prepare a post-program management guideline which will be used as guidance to the CPMOs and IAs in preparing respective detailed post-program management arrangement. CPMOs need to ensure that all program-built infrastructures are well maintained by establishing effective O&M groups and mechanisms, instead of simply handing over to local communities for operation.

## Appendix 1: Summary of project status and ratings

### A. Basic Facts

Country	China		Project ID	1454	Loan/DSF/Grant/ASA P FI No.	1000003238 766-PH
Project	Dabieshan Area Poverty Reduction Programme				Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	14-May-2015					
Supervising Inst.	IFAD					
No. of Supervisions	4	No. of Implementation Support/Follow-up missions	6			
Last Supervision	07-Sep-2014	Last Implementation Support/Follow-up mission	24-Sep-2014			

				USD million Disb. rate %		
Approval	17-Dec-2008			Total financing	70.85	
Agreement	19-Feb-2009	Effectiveness lag	8.2	IFAD Total	31.88	
Entry into force	19-Aug-2009	PAR value	-----	IFAD loan	31.88	70.6
First disbursement	24-Jun-2010			DSF grant		
MTR	22-Sep-2012	Last amendment		IFAD grant		
Original completion	30-Sep-2015	Last audit	26-Mar-2015	ASAP grant	0.00	0
Current completion	30-Sep-2015			Domestic Total	38.98	
Current closing	31-Mar-2016			National Government	38.98	85.5
No. of extensions	31-Mar-2016			External Cofinancing Total		
	0					

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	4
3. Counterpart funds	5	4	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	5	5	4. Gender focus	5	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	5	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Agricultural production and market access	4	4	1. Institution building (organizations, etc.)	4	4
2. Strategic support to the very poor	3	4	2. Empowerment	5	5
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	5	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	4

### B.5 Justification of ratings

The project management continued to be plagued by inadequate number of full-time staffs and/or limited capacity in almost all PMOs. The performance of CPMOs varied greatly between counties. A couple of CPMOs such as Huaibin and Huangchuan have actually weakened their capacity due to reduced full-time staff. Program M&E continued focusing on monitoring the inputs and outputs of program implementation, the monitoring of program outcomes and impact continued to be very limited. Although knowledge management is strengthened to certain extent for the purpose of program completion, the documentation of lessons learnt in the program implementation was limited.

### C. Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	5
C.3	Quality of natural asset improvement and climate resilience	4	4
C.4	Overall <b>implementation progress</b> (Sections B1 and B2)	4	4

#### Rationale for implementation progress rating:

Although the program reported a cumulative financial progress of 88.3% against the total target December 2014, in some cases modules' implementation were not compliance with the designed strategy, which has to certain extent reduced the outreach to the poor. Also, the actual disbursement rate reached only 60% at the 6<sup>th</sup> year of the program implementation, there was a big gap between the reported financial progress and the actual disbursement.

C.5	Likelihood of achieving the development objectives (section B3 and B4)	4	4
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#### Rationale for development objectives rating:

The program contributes to the increased production and income of farmer households, whereas in some cases the implementation of the production modules didn't well target to the poor, program support ended up at the involved cooperatives with broken direct linkage with the target groups.

C.6	Risks
Fiduciary aspects	The actual disbursement of the IFAD loan was only 60% by May 2015, four months before the program completion. It is very likely that the program would not able to reach 100% disbursement of the IFAD loan proceeds.
Program implementation quality	Program implementation focused on financial delivery progress. Inadequate attention was paid to the effectiveness of modules' implementation towards to achieving the program objectives.
Outputs and outcomes	Implementation for a couple of program modules, i.e. the capacity building for poor women and the poultry raising, was lagged behind.
Sustainability	Since most of the program modules were directly implemented by farmer cooperatives without adequate participation of the designated IAs, there would be some uncertainties in the sustainability of providing the same level of services to the program beneficiaries after the program's completion.

### D. Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Low disbursement rate	Implement WA submission plan for more frequent replenishment of the special account with a disbursement target of 90% of project appraisal.	From mid-May 2015	
Inadequate M&E	Key output and outcome indicators will be included in the data gathering and analysis of the program completion process to better assess the program results.	From mid-May 2015	
	PMOs will organise a program completion survey for an overall assessment of the program's outcomes and impact before the program completion.	Jun to Sep 2015	
Sustainability and exit	PPMO will expedite the preparation of post-program management guideline which would be used as guidance to the CPMOs and IAs in preparing respective detailed post-program management arrangement.	Before Sep 2015	
	CPMOs must ensure that all program-built infrastructures are well maintained by establishing efficient O&M groups and mechanisms, instead of simply handing over to local communities for operation.	Before Sep 2015	

#### Additional observations:

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

Narrative Summary	Verifiable Indicators	Means of Verification	Achievements
<b>Overall goal and project purpose</b>			
<b>Overall goal:</b> Innovative approaches to poverty reduction are successfully piloted in the programme area.	<ul style="list-style-type: none"> <li>Successful project poverty reduction approaches up-scaled by Government and other donors (Nb., scope and budget)</li> </ul>	Government plans and policy for poverty reduction.	Not reported
<b>Programme Purpose</b> Innovative and diversified development modules lead to increased income and reduced poverty among poor farm households in the programme area	<ul style="list-style-type: none"> <li>60% households with improvement in asset ownership index compared to baseline</li> </ul>	RIMS impact survey (baseline, MT and completion); Sector children's nutrition status statistics.	Not reported
	<ul style="list-style-type: none"> <li>50% reduction in child malnutrition rate compared to baseline, by gender</li> </ul>		Chronic malnutrition rate reduced by 12% in 2012.
	<ul style="list-style-type: none"> <li>50% reduction of poverty and low income household incidence, by category</li> </ul>		Not reported
<b>Outcomes and Outputs, by Component</b>			
<b>Component 1- Agricultural development and market access</b>			
<b>Outcome 1.1. Technical envoy (Module 1):</b> Poor farmers adopt successfully a diverse range of technologies and increase their knowledge, through a demand driven and pro-poor extension service	<ul style="list-style-type: none"> <li>90% of participating households adopting recommended technologies</li> </ul>	Project surveys; Implementers' reports	52% in 2012
	<ul style="list-style-type: none"> <li>70% of participating households reporting production/yield increase</li> </ul>		58% in 2012
<ul style="list-style-type: none"> <li>600 Technical envoys trained</li> </ul>	<ul style="list-style-type: none"> <li>Nb of technical envoys trained, by gender and topic</li> </ul>	M&E report and progress report	543 TEs trained, 25% women
<ul style="list-style-type: none"> <li>Some 89,000 farmers trained by TEs through demonstration of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> </ul>		81476 farmers trained, 57% women.
<ul style="list-style-type: none"> <li>8 counties have established an incentive mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Nb of counties with established incentive mechanism for TES</li> </ul>		None
<b>Outcome 1.2. Economic trees and medicinal plants/cash crops (Module 2&amp;3):</b> Increased productivity and income of poor farmers applying economic tree and cash crop activities -	<ul style="list-style-type: none"> <li>95% of households adopting recommended technologies</li> </ul>	Project surveys; Implementers reports	21% in 2012
	<ul style="list-style-type: none"> <li>75% of participating households reporting at least 30% of income increase due to economic trees and medicinal plants/cash crops development</li> </ul>		19% in 2012
<b>Economic trees</b>			
<ul style="list-style-type: none"> <li>29,837 farmers provided with (a) grafts/seedlings and (b) fertilizers and pesticides for economic trees development</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers provided with inputs, by type of inputs</li> </ul>	M&E report and progress report	29585 farmers provided
<ul style="list-style-type: none"> <li>36,827 farmers trained in orchard/economic tree plantation</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> </ul>		37141 farmers trained, 57% women
<ul style="list-style-type: none"> <li>4,000 ha of economic trees developed</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>		Not reported
<b>Medicinal plants/cash crops:</b>			

Narrative Summary	Verifiable Indicators	Means of Verification	Achievements
<ul style="list-style-type: none"> <li>11,392 households provided with (a) seeds/seedlings and fertilizers and pesticides for medicinal plants/cash crops development</li> </ul>	<ul style="list-style-type: none"> <li>Nb of HHs provided with inputs, by type of inputs</li> </ul>		10995 households provided
<ul style="list-style-type: none"> <li>13,670 farmers trained in cash crops/medicinal plants</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> </ul>		13308 farmers trained, 57.7% women
<ul style="list-style-type: none"> <li>1,500 ha of cash crops developed</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>		Not reported
<p><b>Outcome 1.3. Pig and poultry (module 4&amp;5):</b> Increased productivity and income of poor farmers adopting enhanced pig, poultry and small livestock production technologies</p>	<ul style="list-style-type: none"> <li>90% of households adopting recommended technologies</li> <li>65% of households reporting at least 30% of income increase due to livestock development</li> </ul>	Project surveys, Implementers' reports	11% in 2012 10% in 2012
<p><b>Pig raising</b></p>			
<ul style="list-style-type: none"> <li>6,736 households provided with (a) materials for pigpen improvement ; (b) start-up capital for sow/piglets ; and (c) start-up capital for feeds and medicines</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers provided with inputs, by type of inputs</li> <li>Nb of farmers provided with start-up capital, by type</li> </ul>		6104 households provided 6104 households provided
<ul style="list-style-type: none"> <li>7,763 beneficiaries trained in piggery and biogas systems</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> </ul>	Project surveys, Implementers' reports	7,896 farmers trained, 57.6% women
<p><b>Poultry development:</b></p>			
<ul style="list-style-type: none"> <li>6,282 households provided with (a) materials for poultry-house improvement ; (b) start-up capital for poultry ; (c) start-up capital for feeds and medicines</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers provided with inputs, by type of inputs</li> <li>Nb of farmers provided with start-up capital, by type</li> </ul>		4915 households provided 4915 households provided
<ul style="list-style-type: none"> <li>7,539 beneficiaries trained in poultry raising</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> </ul>		6217 farmers trained, 59% women
<p><b>Outcome 1.4. Fish pond/reservoir and rice fish (module 6&amp;7):</b> Increased productivity and income of fish pond farming systems and increased access to rice-fish technologies of those farmers that have limited access to water bodies</p>	<ul style="list-style-type: none"> <li>95% of participating households adopting recommended technologies specific to fish culture</li> <li>70% of participating households reporting at least 30% of income increase due to fish culture</li> </ul>	Project surveys; Implementers' reports	4% in 2012 4% in 2012
<p><b>Fish ponds:</b></p>			
<ul style="list-style-type: none"> <li>300 eligible households provided with (a) equipment &amp; facilities for fish culture ; (b) fingerlings; (c) fish feeds and chemicals</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers provided with inputs, by type of inputs</li> </ul>		420 households provided
<ul style="list-style-type: none"> <li>468 farmers' trained and participating in exposure visits</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> <li>Nb of persons participating in exposure visits</li> </ul>	Implementers' reports	504 farmers trained, 54% women Not reported
<p><b>Rice-fish:</b></p>			
<ul style="list-style-type: none"> <li>175 eligible households provided with (a) fingerlings; (b) fish feeds and chemicals</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers provided with inputs, by type of inputs</li> </ul>		145 households provided
<ul style="list-style-type: none"> <li>210 farmers trained and participating in exposures on fish culture</li> </ul>	<ul style="list-style-type: none"> <li>Nb of farmers trained, by gender and topic</li> </ul>		174 farmers trained, 55%

Narrative Summary	Verifiable Indicators	Means of Verification	Achievements
<p><b>Outcome 1.5. Market Access (Module 8):</b> Some 120 Farmers' associations and cooperatives are strengthened to provide a market access and other services to some 24,000 poor farmers' households.</p>	<ul style="list-style-type: none"> <li>▪ 90% of members with more than 50% increase in volume of production marketed through farmer cooperatives</li> <li>▪ 95% of cooperatives operational after 3 years, by sector</li> </ul>	<p>Project surveys; cooperatives' records</p>	<p>women</p> <p>96% in 2012</p> <p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ 120 farmer cooperatives supported and equipped based on governance review exercises</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of associations supported</li> <li>▪ Nb of associations provided with equipment</li> </ul>		<p>120 cooperatives supported</p> <p>120 cooperatives provided</p>
<ul style="list-style-type: none"> <li>▪ Pro-poor membership promotion events organized and 4,800 new members enrolled</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of new members</li> </ul>		<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ 19,200 poor households provided with technical coaching</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of hhs' members trained, by gender and topic</li> </ul>		<p>28603 farmers trained, 58% women</p>
<ul style="list-style-type: none"> <li>▪ USD 633 thousand used for certification of production</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of associations carrying out certification of production</li> </ul>	<p>Implementers' reports</p>	<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ Number of increased cooperative members, by gender</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>		<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ Number of increased poor members, by gender</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>		<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ Number of products certified through cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>		<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ Number of new technologies extended by cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>		<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ Number of new facilities introduced by cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>		<p>Not reported</p>
<b>Component 2. Strategic support to very poor groups</b>			
<p><b>Outcome 2.1. Village development fund (module 9):</b> Improved community infrastructure and strengthened community capacity to plan and manage community development projects through participatory approaches</p>	<ul style="list-style-type: none"> <li>▪ 95% of the planned VDF villages supported</li> <li>▪ 95% of supported villages prepared VDP</li> <li>▪ 95% of village infrastructure operational after 3 years, by type</li> </ul>	<p>Project surveys; Implementers' reports</p>	<p>Not reported</p> <p>Not reported</p> <p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ 80 Village Development Plans and Village Investment Plans prepared in a participatory manner</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of VDF prepared</li> <li>▪ Nb of VIP prepared</li> </ul>		<p>72 villages supported</p> <p>None</p>
<ul style="list-style-type: none"> <li>▪ 380 Villages trained in participatory infrastructure operation and management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of infrastructure users trained in O&amp;M</li> </ul>		<p>4225 farmers trained, 59% women</p>
<ul style="list-style-type: none"> <li>▪ Number of interest groups formed for infrastructure O&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>		<p>Not reported</p>
<ul style="list-style-type: none"> <li>▪ Infrastructure built by type: <ul style="list-style-type: none"> <li>---- Village road (km)</li> <li>---- Irrigation canal (km)</li> <li>---- Water cisterns(number)</li> <li>---- Village clinics built (number)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>	<p>Implementers' reports</p>	<p>Not reported</p> <p>Not reported</p> <p>Not reported</p> <p>Not reported</p>

Narrative Summary	Verifiable Indicators	Means of Verification	Achievements
<p><b>Outcome 2.2. Capacity building for poor women (module 10):</b>            Enhanced basic skills and knowledge by poor women, to expand their income sources and empower their social status</p>	<ul style="list-style-type: none"> <li>▪ 50% of women, who were trained in off-farm skills, engaging in off-farm income generating activities</li> <li>▪ % of women supported reporting increase in income</li> </ul>	Implementers' reports	99% in 2012  Not reported
<ul style="list-style-type: none"> <li>▪ 8,000 poor women trained in income generating activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nb of women trained in IGA, by type</li> </ul>	Implementers' reports	8459 farmers trained, 80% women



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

Action area	Agreed action	Responsibility	Agreed date	Progress
Overall assessment	PMOs together with the BOFs will work out a feasible plan on further expediting the reimbursement of expenditures incurred through more frequent submission of claim documents to reduce the gap between the reported financial progress and actual disbursement.	PPMO & CPMOs	Sep 2014	Time schedule for reimbursement was developed, and an incremental disbursement rate of 13% was recorded from September 2014 to May 2015.
	The PPMO will discuss with each of the CPMOs about the implementation of the capacity building for poor women and poultry raising modules to well plan the program implementation in the final year. If implementation for these modules will not able to be completed due to inadequate capacity of the IAs, the activities can be entrusted to other technical agencies for implementation. Or, otherwise, the resources should be reallocated to implement other modules as required. The changes will be included in the 2015 AWPB for IFAD's "no-objection" review.	PPMO & CPMOs	End of Sep 2014	The resources for the capacity building for poor women and poultry raising modules have been reallocated to implementation of other modules, which was included in the 2015 AWPB.
Outputs and outcomes	PPMO and CPMOs will continue directing the economic trees module and the cash crops and medicinal plants module in a more flexible manner to deliver it to the target groups, aiming at maximum outreach and benefit of poor farmers.	PPMO & CPMOs	From Sep 2014	Implementation agreements were signed by between the designated implementing agencies (IAs) and farmer cooperatives; IAs are more active in participating in the modules implementation; and the cooperatives cover more poor farmers.
	The national experts and practitioners (preferably with experience in agribusiness and cooperative development) who will provide support to the training events for cooperative leaders (as recommended in the last follow-up mission) will also be involved in: i) advising on the choice of cooperatives to be visited and on format and content of the learning/knowledge sharing documents that will be produced; and in ii) preparing a simple guiding brief on how to develop and manage a pro-poor and business-oriented cooperative.	PPMO	End of 2014	Cross-county knowledge sharing on strengthening cooperatives operation were held in six counties; PPMO organised study tour to Gansu province for knowledge sharing of PCR preparation.
	As part of the findings from visits to selected county cooperatives (recommended by the follow-up mission), the Prefecture Agricultural Economic Management Station will also provide recommendations on how to address issues and improve the performance of the cooperatives.	PPMO	Oct 2014	done
	CPMOs may take the flexibility to adjust the pig raising and poultry raising modules to support farmers with a larger scale of production, while maintaining the module coverage as designed.	CPMOs	From 10 Sep 2014	More pig raising was planned for 2015.

	CPMOs will coordinate with the IAs to establish effective O&M groups and mechanisms for sustainability of the program-built infrastructures.	CPMOs & IAs	From Sep 2014	PPMO demanded CPMOs to establish effective O&M groups and mechanisms for the sustainability of program-built infrastructure, which were emphasized several times in meetings, including exit strategy.
	(i) County PLGs and PMOs will further mobilize counterpart funds for WFs to continue implementing the capacity building for poor women module and benefit more women, whilst expediting the reimbursement of expenditures incurred; and (ii) if implementation for the module would not able to be 100% completed by WFs due to limited time remaining for implementation, the module can be implemented by other technical agencies that are able to offer technical and skill trainings to the target women.	PPMO, county PLGs, CPMOs	From Sep 2014	Resources for the capacity building for poor women module were reallocated to other modules' implementation; reimbursement of expenditures incurred for the module continues.
Implementation progress	PPMO will prepare the program completion report (PCR) in line with the up to date PCR Guideline of IFAD and submit it to IFAD at the soonest after the program's completion.	PPMO & CPMOs	By program completion	PCR outline for the programme is prepared, documentation of programme results is undergoing.
	PPMO may organise cross-province learning for the CPMOs to enhance the ability of program completion preparation.	PPMO	Before completion	PCR training was held in Lanzhou in July 2014 and M&E training was held in September 2014.
	PMOs will include the key output, outcome and impact gender-sensitive indicators in their M&E reporting system, such as the total number of direct participants by gender, infrastructures built by type, the area of cash crops and tree crops developed, well-functioning cooperatives, employments generated, number of households with improvement in household asset ownership index, and prevalence of under 5-year old children's malnutrition, etc.	PPMO & CPMOs	By coming reporting period	A few indicators, such as infrastructures built by type, the area of cash crops and tree crops developed, have been added to the logframe.
	PMOs will carry out a program completion RIMS survey before the program completion for an overall evaluation of the program's outcomes and impact. Survey report should be made available to IFAD before completion review mission.	PPMO & CPMOs	Before completion	The survey would be carried out from June to September 2015.
	PPMO will consult with the county PLGs and CPMOs to (i) mobilize funds to expedite the implementation of the capacity building for poor women module to benefit more women in the remaining period of program implementation and (ii) if the target for the module truly cannot be attained, surplus resources should be reallocated to implement other modules as required so as to avoid non-fulfilment of the program implementation.	PPMO, county PLGs & CPMOs	From Sep 2014	Resources for the capacity building for poor women module were reallocated to other modules' implementation.

	Both PPMO and CPMOs will further strengthen the documentation of program successful cases and sharing of lessons learnt.	PPMO & CPMOs	From Sep 2014	More than 3000 photos, 51 mini-stories, 36 case analyses, 25 summaries on cooperatives knowledge sharing, and 25 video materials are collected.
Fiduciary aspects	PMOs will develop feasible time schedule for reimbursement of expenditures incurred and further expedite the preparation of WAs.	PPMO & CPMOs	From Sep 2014	Time schedule was developed, reimbursement of expenditures was expedited.
	IFAD's financial management officers and PPMO will further communicate with each other to understand the practices of program implementation and reach an agreement on the requirements of supporting documents and the contents and format of WAs for an efficient financial management of the program.	PPMO & IFAD financial officers	Sep 2014	Done
	Governments will carry out their commitments, timely providing counterpart funds to the IAs for implementing the program.	PLGs, PPMO & CPMOs	From Sep 2014	PPMO coordinated county governments on timely providing counterpart funds, significant results are yet to be shown.
Sustainability	PPMO will develop a post-program management guideline for all the program modules. The Guideline will be used as guidance to the CPMOs in preparing respective post-program management measures for the sustainability of program results.	PPMO & CPMOs	Before Sep 2015	Post-programme management guideline is under preparation.



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

Outputs by component	Indicator	Physical progress						
		Units	AWPB (2014)	Actual Jan-Dec	%	MTR target	Cumulative Dec 2014	%
<b>Module 1: Technical Envoy</b>								
Training of technical envoys done	509 technical envoys trained with update knowledge	number	15	19	130	600	543	90.5
Farmers trained by TEs through demonstration of new technologies	90000 farmers trained with new techniques by TEs, by sex	number	2250	4444	200	90000	81476	90.5
Incentive mechanism established	8 counties will have established incentive mechanism for TES	number	1	1	100	8	8	100.0
<b>Module 2: Economic Tree</b>								
Grafts/seedlings for economic trees development provided	Households provided with grafts/seedlings for economic trees development.	number	105	189	180	29,837	29589	99.2
Beneficiaries training conducted	Farmers trained with techniques on economic trees development, by sex	number	450	455	100	36,827	337141	100.9
<b>Module 3: Cash crop &amp; Medicinal plants</b>								
Seeds/seedlings for medicinal plants/cash crops provided	Households provided with seeds/seedlings for medicinal plants/cash crops development.	number	1179	1553	130	11392	10995	96.5
Beneficiaries training conducted	Farmers trained with techniques on medicinal plants/cash crops, by sex	number	1250	1701	136	13670	13308	97.4
<b>Module 4: Pig Raising</b>								
Start-up capital for sow/piglets provided to eligible households	Households provided with pigs/piglets for livestock development	number	214	0	0	6,736	6104	90.6
Materials for building of biogas system provided to eligible households	Biogas system built for eligible households	number	214	0	0	6,306	5515	87.4
Beneficiaries training conducted	Farmers trained with techniques on pig raising and biogas system maintenance, by sex	number	488	0	0	7,763	7896	101.7
<b>Module 5: Poultry Raising</b>								
Start-up capital for poultry provided to eligible households	Households provided with poultry	number	846	0	0.0	6282	4915	78.2
Beneficiaries training conducted	Farmers trained with techniques on poultry development, by sex	number	867	0	0	7539	6217	82.4
<b>Module 6: Pond Fish</b>								
Fingerlings for eligible households provided	Households provided with fingerlings for fish culture in pond/reservoir	number	0			390	420	107.7
Farmers' training and exposures on fish culture carried out	Farmers trained with techniques on fish culture in pond/reservoir, by sex	number	0			468	492	105.1

<b>Module 7: Rice Fish</b>								
Fingerlings for eligible households provided	Households provided with fingerlings for fish culture in paddy field	number	0			175	145	82.9
Farmers' training and exposures on fish culture carried out	Farmers trained with techniques on fish culture in paddy field, by sex	number	0			210	174	82.9
<b>Module 8: Market Access</b>								
Pro-poor membership promotion done	Associations/coops will have carried out pro-poor membership promotion	number	0	0	0	120	120	100.0
Technical coaching for poor HH members	Poor new members will have received technical coaching, by gender	number	115	215	186	6,000	7821	130.4
Consultancies, training & exposure done	Members trained, by sex	number	977	924	94.5	24,000	28603	119.2
<b>Module 9: Village Development Fund</b>								
Poor village infrastructure improved with participatory planning	Poor villages with established VDF	number	4	1	25	80	72	90.0
Beneficiary training on participation and management carried out	Persons trained	number	8	2	25	380	385	101.3
<b>Module 10: Capacity Building for poor women</b>	8,000 poor women trained, by trade	number	870	333	38.3	8,000	8459	105.7

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

**Table 5A: Financial Disbursements by Financier (USD'000, as per 10/05/2014)**

Financiers	Approval	Disbursements	Percent disbursed
IFAD loan	31,862.4	22,481.8	70.6%
Government	38,992.0	33,332.9	85.5%
Total	70,854.4	55,814.7	78.8%

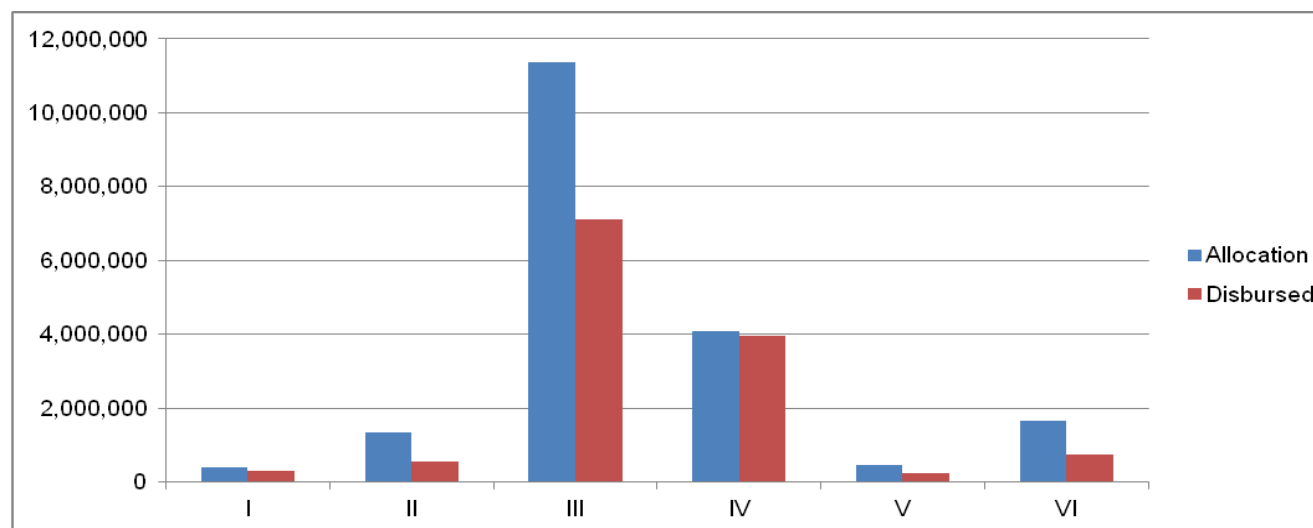
**Table 5B: Financial Progress by Financier and by Module (USD'000, as per 31/12/2014)**

Components	IFAD Loan			Government			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
<b>1. Component A: Agricultural development and market access</b>	25,477.1	24,135.3	94.7	25,477.2	24,135.3	94.7	50,954.3	48,270.5	94.7
A1/Technical envoy	1,070.9	998.2	93.2	1,070.9	998.2	93.2	2,141.9	1,996.3	93.2
A2/Economic trees	9,624.6	9,494.4	98.6	9,624.6	9,494.4	98.6	19,249.2	18,988.8	98.6
A3/ Cash crops and medicinal plants	1,938.3	1,896.3	97.8	1,938.3	1,896.3	97.8	3,876.5	3,792.5	97.8
A4/ Pig raising	3,867.2	3,669.4	94.9	3,867.2	3,669.4	94.9	7,734.4	7,338.8	94.9
A5/ Poultry raising	1,770.6	1,441.6	81.4	1,770.6	1,441.6	81.4	3,541.1	2,883.2	81.4
A6/ Fish pond	209.2	222.3	106.3	209.2	222.3	106.3	418.4	444.6	106.3
A7/ Rice-fish	75.5	62.4	82.7	75.5	62.4	82.7	151.0	124.8	82.7
A8/ Market access	6,920.9	6,350.7	91.8	6,920.9	6,350.7	91.8	13,841.7	12,701.3	91.8
<b>2. Component B: Strategic Support to the Very Poor</b>	3,515.3	3,015.7	85.8	6,044.4	5,406.1	89.4	9,559.7	8,421.7	88.1
B1/ Village development funds	590.1	534.7	90.6	5,313.1	4,813.8	90.6	5,903.2	5,348.5	90.6
B2/ capacity building for poor women	2,925.2	2,480.9	84.8	731.3	592.3	81.0	3,656.5	3,073.2	84.0
<b>3. Component C: Management</b>	2,869.9	2,105.6	73.4	7,470.4	3,791.6	50.8	10,340.3	5,897.2	57.0
<b>Grand Total</b>	31,862.4	29,256.6	91.8	38,992.0	33,332.9	85.5	70,854.4	62,589.5	88.3

**Table 5C: IFAD Loan Disbursements and Estimated Balance by Category (SDR, as per 10/05/2015)**

Loan Category	Category description	Original allocation	Revised allocation	Disbursed	Balance	% disbursed
I	Vehicle, Equipment and Materials	392,000	392,000	294,998.77	97,001.23	75%
II	Training, Workshops, TA and Studies	1,330,000	1,330,000	551,983.64	778,016.36	42%
III	Agriculture, Livestock and Aquaculture	11,355,000	11,355,000	7,126,902.53	4,228,097.47	63%
IV	Market Access and Farmers' Cooperatives	4,075,000	4,075,000	3,945,580.00	129,420.00	97%
V	Village Development Fund	463,000	463,000	230,445.96	232,554.04	50%
VI	Capacity Building and Skills Training	1,665,000	1,665,000	729,225.13	935,774.87	44%
VII	Unallocated	2,158,000	2,158,000	-	2,158,000.00	
Initial deposit				2,030,952	-2,030,952	
Total		21,438,000		14,910,088.03	14,988,966.89	70%

**Figure 1: Comparison between allocation and disbursed, by loan category**





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

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
	(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.	Complied
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.	Partially 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.	Partially 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

<b>Sections</b>	<b>Agreement Covenants</b>	<b>Compliance Status</b>
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 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.	Complying
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.	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
Schedule 3 Part II	The Program strategy is to ensure gender-equitable participation in activities	Complied
Schedule 3 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 7: Knowledge management: Learning and Innovation**

### **Learning**

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The program continued recording a very low disbursement rate of the IFAD loan by the 6<sup>th</sup> year of the program implementation. The major causes for the low disbursement rate may include two aspects: (i) the long process for checking, review and approval of WAs by upper PMO and BOF; (ii) over detailed official receipt (supporting documents) required for each of the expenditures shown in the SOE Tables and particularly the requests for contract registration form for each of the expenditures. Actually there were no contracts for many activities each with small amount of expenditure relating to farmers during the implementation. A good practice should not make difficulties to the process whilst maintaining quality control, such as the pro-forma invoices recognized by the provincial DOF and the department of Audit.

Although the program management structure is established in line with its design, inadequate capacity of PMOs, understaffing of PMOs and high turnover of PMO staffs during the program implementation have affected the efficiency of program implementation, management and the reimbursement of expenditures incurred; they together with the limited involvement of technical agencies in the program implementation might have been the major reasons why the program could not be implemented and managed in an effective and efficient manner, such as implementation of some modules was not in compliance with the designed strategy, slow reimbursement of expenditures incurred, and inadequate program M&E and knowledge management.

Program implementation undertaken by farmer cooperatives might have difficulties to well target to the poor selectively, however cooperation with the well-performed farmer cooperatives would be a good option in promoting market-oriented commercial production of agriculture in a large scale of contiguous area, which at the same time could effectively increase the revenue of poor farmers covered. Farmer cooperative is also a good platform bridging farm producers and markets.

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

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No innovation was concluded by this mission. However, some successful cases were noted as described by the previous SIS missions.

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