IFAD
Investing in rural people

Independent Office of Evaluation

People's Republic of China

COUNTRY PROGRAMME EVALUATION

November 2014

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November 2014
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Photos of activities supported by IFAD-financed projects in the People's Republic of China

Front cover: Hani and Yi minority farmers work on tea plantation in the Babian township. An IFAD-funded project financed the development of 7,200 ha of diverse permanent crops which are grown mainly on sloping land. The following crops have been established: coffee, tea, mulberry, fruit, tung and bamboo.
©IFAD/Louis Dematteis

Back cover: Vegetable Greenhouse in Sandaoying Village, Zuozi County, Inner Mongolia. IFAD supported the construction of around 2,500 permanent greenhouses for protected agricultural production, which contribute to stable income for rural households given the harsh climate condition in Inner Mongolia, especially during spring, autumn and winter. Another 3,000 semi-permanent greenhouses and 2,700 potato net sheds were also built under the project (left); Sheep-raising household in Nari Village of Wulan Sumu, Inner Mongolia (right).
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Foreword

This first country programme evaluation (CPE) for the People's Republic of China covers the partnership between IFAD and the Government from 1999 to 2013. The main objective was to assess the results and impact of IFAD-funded activities and generate recommendations that will inform the next country strategic opportunities programme (COSOP). The evaluation assessed three components: i) thirteen IFAD-supported projects; ii) non-lending activities – policy dialogue, partnership-building and knowledge management; and iii) the relevance and effectiveness of the 1999, 2005 and 2011 COSOPs.

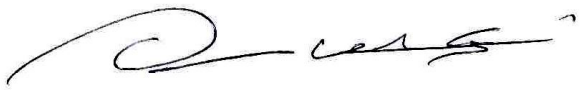
China is IFAD's second-largest borrower. Since the first loan in 1981, IFAD has lent US$775 million for 27 projects at a total cost of US$1.9 billion. The 13 projects covered by the evaluation account for US$434 million of IFAD lending. Local and regional governments are the ultimate users of most loans, and throughout the partnership the Government directed IFAD's support to remote and poor communities, ethnic minorities and areas with a challenging natural resource environment.

Overall, the CPE concludes that the China-IFAD partnership is strong and that the aggregate performance of the loan portfolio, non-lending activities and COSOPs was satisfactory. The main challenge in the future partnership is to increase the emphasis on non-lending activities, which will need to be linked to an adequate investment portfolio that focuses on innovation and scaling up.

Loan-funded projects had positive effects on incomes, food security and rural livelihoods. Some areas, however, were less successful: these included building grassroots organizations, partnerships with other international and regional organizations, and the promotion of sustainable financial services in rural areas. The performance of IFAD and the Government was satisfactory.

The CPE also concludes that the IFAD-China partnership is important for both parties and that it is worth developing in future to reflect social and economic growth in the country. In this regard it is significant that although income per capita has risen in recent years, 150 million rural people still live on less than US$1.25 per day. This provides the basis for IFAD's continued engagement in China for the foreseeable future, reflecting its mandate and its commitment to reducing rural poverty in all its developing Member States.

The report includes the agreement at completion point which summarizes CPE's main findings and recommendations agreed by the Government and IFAD. I hope that the results of this independent evaluation will be useful in promoting accountability and learning that will make IFAD even more effective in terms of fostering rural transformation and poverty reduction in China.



Oscar A. Garcia
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IOE is grateful to IFAD's Asia and the Pacific Division for its constructive collaboration at various stages of the evaluation process. Special appreciation is due to John M. McIntire, Associate Vice President of IFAD's Programme Management Department, for his cooperation and his inputs in the final stages of the evaluation.

Appreciation is also due to the Government of China – particularly the Ministry of Finance – for its constructive collaboration throughout the evaluation process and the generous contribution to and efforts in coorganizing the CPE national round-table workshop, held in Beijing in July 2014.

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All the appendices listed above are available upon request from the Independent Office of Evaluation of IFAD (evaluation@ifad.org). The approach paper is also available at http://www.ifad.org/evaluation/public_html/eksyst/doc/approach/cpe.htm.

Currency equivalents, weights and measures

Currency equivalents

Currency unit = Chinese Yuan (CNY)
CNY per US$ 1.00

November 1999	*November 2005*	*November 2011*	*November 2013*
8.27	8.08	6.35	6.09

Note: where figures refer to the major part of the period 1999-2013, a conversion factor of US$1.00 = CNY 6.09 (15 November 2013) is used.

Weights and measures

Metric System

1 jin = 0.5 kg	2,000 jin = 1 tonne
1 dan = 50 kg	20 dan = 1 tonne
1 mu = 0.00667 ha	15 mu = 1 shang = 1 ha

Abbreviations and acronyms

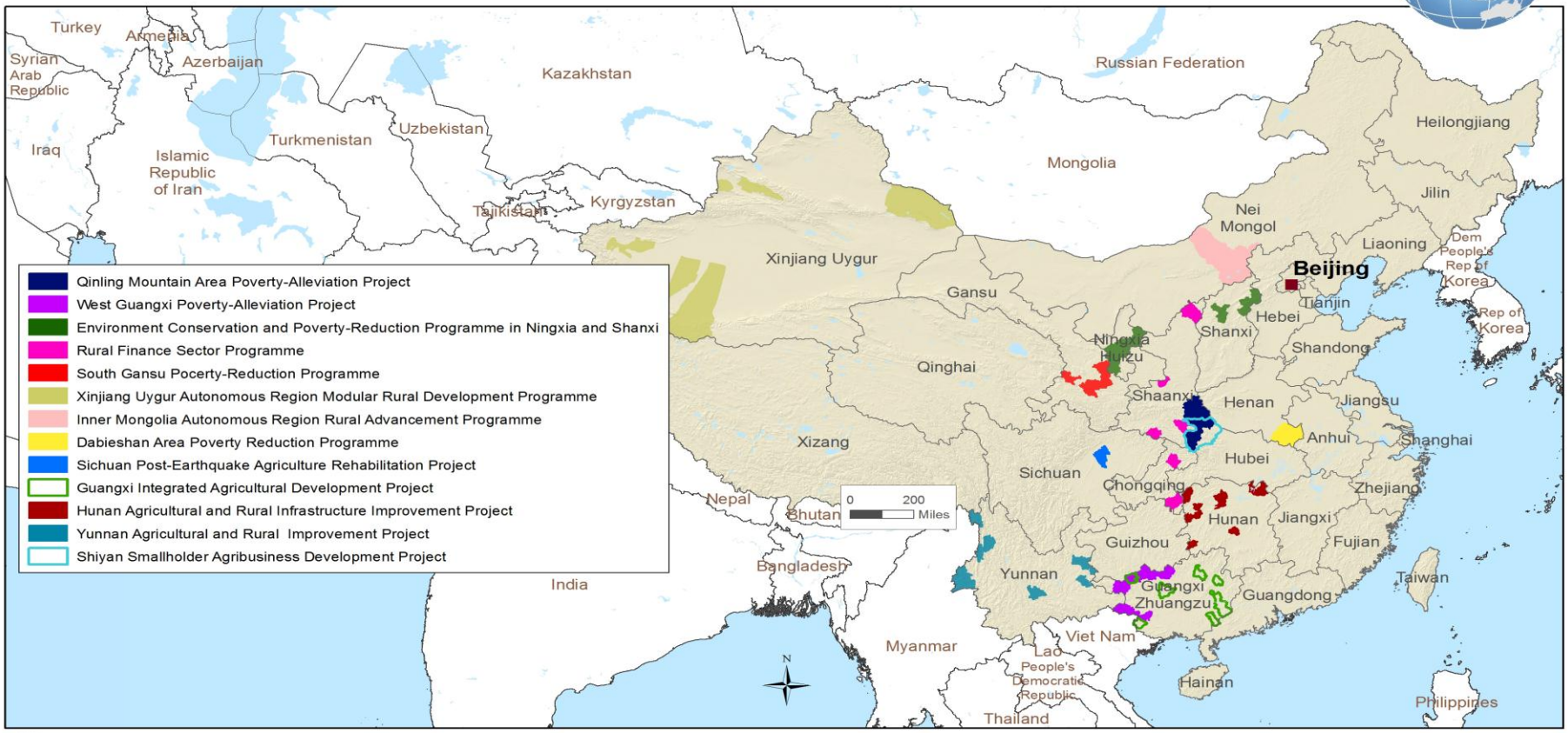
ACWF	All China Women's Federation
ADB	Asian Development Bank
APR	Asia and the Pacific Division (IFAD)
ASTP	agricultural science and technology park
CNY	Chinese Yuan
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
CPMT	country programme management team
CPO	country programme officer
DAPRP	Dabieshan Area Poverty Reduction Programme
DRC	Development Research Centre of the State Council
ECPRPNS	Environment Conservation and Poverty Reduction Programme in Ningxia and Shanxi
ENRAP	Knowledge Networking for Rural Development in Asia and the Pacific Region
FAO	Food and Agriculture Organization of the United Nations
GDP	gross domestic product
GIADP	Guangxi Integrated Agricultural Development Project
GNI	gross national income
GTZ	German Agency for Technical Cooperation (today GIZ)
HARIIP	Hunan Agricultural and Rural Infrastructure Improvement Project
IFAD	International Fund for Agricultural Development
IFI	international financial institution
IMARRAP	Inner Mongolia Autonomous Region Rural Advancement Project
IOE	Independent Office of Evaluation of IFAD
LGOP	The State Council Leading Group Office of Poverty Alleviation and Development
M&E	monitoring and evaluation
MDG	Millennium Development Goal
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOST	Ministry of Science and Technology
MTR	midterm review

NDRC	National Development and Reform Commission
NGO	non-governmental organization
PBAS	performance-based allocation system
PCR	project completion report
PCRV	project completion report validation
PAO	Poverty Alleviation Office
PLG	project leading group
PMO	project management office
QMAPAP	Qinling Mountain Area Poverty Alleviation Project
RB-COSOP	results-based COSOP
RCC	rural credit cooperative
RFSP	Rural Finance Sector Programme
RIMS	Results and Impact Management System
SDR	special drawing rights
SGPRP	South Gansu Poverty Reduction Programme
SPEARP	Sichuan Post-Earthquake Agriculture Rehabilitation Project
SSADEP	Shiyan Smallholder Agribusiness Development Project
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
VAM	Vulnerability Analysis and Mapping
VDP	village development plan
VIG	village implementation group
WGPAP	West Guangxi Poverty Alleviation Project
WFP	World Food Programme
YARIP	Yunnan Agricultural and Rural Improvement Project
XUARMRDP	Xinjiang Uygur Autonomous Region Modular Rural Development Programme

Map of IFAD-supported operations covered by the CPE

People's Republic of China

IFAD-funded operations covered by the Country Programme Evaluation



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD

Map compiled by IFAD | 05-03-2014

Executive summary

1. **Background.** China is one of the largest recipients of IFAD assistance. Since the approval of its first loan in 1981, IFAD has financed 27 agriculture and rural development projects and programmes within the country, representing a total cost of US$1.94 billion. IFAD's financial contribution amounts to approximately US$775 million. The country programme is managed by a Rome-based country programme manager, and by the IFAD country office established in Beijing in 2005.

2. This is the first country programme evaluation (CPE) of China to be undertaken by the Independent Office of Evaluation of IFAD (IOE), and covers the period 1999-2013. IFAD's operations during this period were guided by three country strategic opportunities programmes (COSOPs), which were approved in 2001, 2005 and 2011, respectively. During the evaluation period, the Executive Board approved loans for 13 projects, totalling approximately US$434 million and representing approximately 40.5 per cent of all project costs.

3. The projects, in general, support integrated rural development in remote areas and in resource-constrained regions, and have been executed by subnational governments. From 1999 to 2005, most projects were cofinanced by the World Food Programme (WFP) and included rural finance and infrastructure, as well as health and education in rural areas. Since then, operations have focused largely on agricultural production and marketing in addition to rural infrastructure development.

4. **Evaluation objectives and process.** The objectives of the CPE were to assess the performance and impact of IFAD-funded operations within the country, and to generate findings and recommendations to serve as building blocks for the next COSOP. This new COSOP will be developed by IFAD Management and the Government of China in 2015, following completion of the CPE.

5. The evaluation's main mission took place in August and September 2013, and a national round-table workshop was held in Beijing in July 2014. The workshop provided an opportunity to discuss the main findings and recommendations relating to the evaluation, as well as the relevant issues and priorities to be included in China's next COSOP.

6. **Key evaluation findings.** The CPE has rated the performance of the project portfolio financed by IFAD between 1999 and 2013 as satisfactory**.** In terms of overall project achievement, 100 per cent of the projects within the China CPE have been rated as moderately satisfactory or better, compared to 83 per cent of those projects evaluated by IOE in the Asia-Pacific region between 2002 and 2012.

7. The most significant outcomes relating to the portfolio include the overall high achievement of objectives and the valuable contributions to sustainable improvements in household incomes and assets, food security and agricultural productivity. While IFAD has supported China in its efforts to introduce more participatory and demand-driven approaches to grass-roots development, the impact on developing sustainable rural organizations has been modest and its contribution to government policies and institutions has been somewhat limited. Furthermore, there are opportunities for greater achievement in terms of natural resources and environmental management.

8. Given the persistence of large numbers of rural poor in absolute terms, the scaling up of those IFAD-funded projects that have proved successful would have a significant impact on China's poverty reduction endeavours. The CPE, therefore, regards the scaling up of innovative approaches in relation to smallholder agriculture development to be the most important aspect of the IFAD-China partnership, especially at the local level. While a few innovations have been

replicated and scaled up within the areas or provinces included in the projects, the effects have rarely crossed provincial borders. Two explanations for this have been suggested by the CPE: (i) the projects have been implemented and financed by subnational governments, which have little incentive to engage in and finance activities beyond their respective administrative areas; and (ii) there are insufficient partnerships with other international financial institutions and the private sector that can enable the potential scaling up of those innovations that have been successful.

9. The performance of non-lending activities (e.g. partnership-building, policy dialogue and knowledge management) has been assessed as moderately satisfactory. There have been some achievements in policy dialogue at the subnational level, such as expanding participatory village development planning; however, more can be achieved at the national level. Similarly, while cooperation with subnational authorities and the Ministry of Finance (MOF) is strong, further exploration is needed to identify opportunities to partner with technical institutions at the national level and with multilateral development agencies. Within the broader scope of South-South cooperation, supported by IFAD, China has been sharing its experience and technology with other developing countries. During the latter stage of the CPE period, IFAD had stepped up its support for knowledge management in the country. Overall, however, more resources and efforts are needed to ramp up engagement in non-lending activities and South-South and triangular development cooperation.

10. As mentioned previously, three COSOPs have guided the IFAD-China partnership during the appraisal period. The 1999 COSOP was essentially a joint IFAD/WFP strategy, whereas the 2011 COSOP was prepared according to the guidelines for results-based COSOPs that were introduced in 2006. The 2011 COSOP is particularly relevant, since it includes knowledge management and South-South cooperation as one of its key objectives, consistent with government priorities. In broad terms, the three COSOPs were aligned with IFAD's overall mandate, the needs of the poor and government policies, and were relevant to the rural context at the time of design and implementation.

11. However, the CPE finds that more attention could have been given in the COSOPs to assessing the consequences of outmigration on targeting strategies, in order to ensure that the poorer segments of the rural population are the main beneficiaries of IFAD's support. Furthermore, the strategic objectives of policy dialogue, knowledge management, partnership-building and the promotion of innovation and scaling up were not sufficiently supported by plans and budgets.

12. Overall, the CPE has concluded that the China-IFAD partnership is strong and that the aggregate performance of the loan portfolio, non-lending activities and COSOPs is satisfactory. The main challenge of the partnership, going forward, is to increase non-lending activities within the framework of an adequate project portfolio that focuses on promoting innovation and scaling up. This will require further strengthening of the country office, whose central role is to facilitate and expand IFAD-China cooperation, including enhancing partnerships with major development partners in the country.

13. **Recommendations.** Based on the foregoing, the CPE recommends that IFAD and the Government of China prepare a new COSOP, building on the findings and recommendation of this evaluation. The new COSOP will provide the basis for renewed partnership and cooperation between IFAD and China, including the six key recommendations outlined below.

14. **Targeting in a changed rural context.** Careful consideration should be given to the selection of provinces, counties and villages for future IFAD-supported programmes. They should be relevant to both IFAD's corporate policy on targeting and government priorities in relation to rural poverty reduction. Particular attention

should be devoted to villages with high poverty rates and production potential where young people are willing to engage in farming as a business. The targeting strategy should also include continuing support for integrating ethnic minorities living in remote mountain and forest areas with mainstream markets.

15. **Strengthen knowledge cooperation.** The future IFAD-supported country strategy and activities should continue to include knowledge cooperation as a specific objective. To ensure the likelihood of success, IFAD should maintain an adequate lending programme in China to promote learning and knowledge and enable the identification of good practices in promoting poverty reduction in remote rural areas. The human and financial resources to be allocated to knowledge sharing need to be clearly specified, especially with regard to the administrative budget, in order to satisfactorily achieve this key objective.

16. **Sharpen focus on scaling up impact.** The scaling up of projects beyond China's individual counties and provinces/regions by others (e.g. national Government, donors and the private sector) should represent a priority for the future. This will require the cooperation of IFAD and the Government of China (at the central and provincial levels) to: (i) dedicate resources to non-lending activities (knowledge management, partnerships and policy dialogue); and (ii) ensure that objectives relating to scaling up are clearly specified in the COSOP and included in project design, and that progress is assessed and reported in all supervision, midterm review and project completion reports.

17. **Promote South-South and triangular cooperation.** IFAD should continue to facilitate South-South and triangular cooperation between China and other Member States. The CPE further recommends that IFAD Management, in consultation with the Government of China, explore opportunities to establish a dedicated facility for such cooperation within IFAD.

18. **Strengthen partnership with the Government of China and other in-country stakeholders.** Future country strategy and operations should ensure a strengthened partnership with other relevant government institutions at the national level. Opportunities for greater involvement of the private sector, as well as academic and research institutions, should be proactively explored. The development of partnerships with international organizations – in particular the Asian Development Bank, Food and Agriculture Organization of the United Nations and World Bank – should be a priority.

19. **Enhance IFAD presence and capacity in country, including out-posting the China country programme manager.** The country office's capacity and resources should be strengthened to adequately support project work and non-lending activities, such as knowledge management and policy dialogue, as well as South-South and triangular cooperation. The CPE recommends that the China country programme manager be outposted from Rome to Beijing by the end of 2015.

Agreement at completion point

A. Introduction

1. This is the first country programme evaluation (CPE) undertaken by the Independent Office of Evaluation of IFAD (IOE) for China since the inception of the Fund's operations in 1978 and its engagement in China in 1981. The CPE covers the period 1999-2013, which includes an assessment of three country strategic opportunities programme (COSOP) for China dated 1999, 2005 and 2011. The main CPE mission was undertaken in August-September 2013. A CPE national round-table workshop was held in Beijing on 17 July 2014 to discuss the findings and recommendations of the evaluation.

2. The two main objectives of the CPE were to: (i) assess the performance and impact of IFAD-funded operations in China during the period 1999-2013; and (ii) generate a series of findings and recommendations to serve as building blocks for formulation of the next results-based COSOP, to be prepared by IFAD and the Government of China following completion of the CPE.

3. The Agreement at Completion Point (ACP), reflects the understanding between the Government of China (represented by the Ministry of Finance) and IFAD Management (represented by the Programme Management Department). It comprises the summary of the main evaluation findings (Section B below), as well as the commitment by IFAD and the Government to adopt and implement the CPE recommendations within specific timeframes (Section C below). The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

4. This ACP will be submitted to the Executive Board of IFAD as an annex of the new COSOP for China. The ACP will also be incorporated in the final China CPE report, which will be discussed both by the Evaluation Committee and Executive Board[1] of IFAD.

B. Main evaluation findings

5. The CPE concluded that the strongest points in the IFAD-financed project portfolio in China includes a generally high achievement of targets and efficiency, and valuable contributions to sustainable improvements in household income and assets as well as in food security and agricultural productivity. Additionally, IFAD has supported China in introducing more participatory and demand-driven approaches to grassroots development. However, the impact on developing sustainable rural organizations, and contribution to government policies and institutions has been less strong. Similarly, opportunities exist for greater achievements in natural resources and environmental management as well as rural financial services.

6. The CPE found some contributions in the promotion and scaling up of innovative approaches to smallholder agriculture development, especially at the local level. For instance, some innovations have been replicated and scaled up within the project areas and sometimes within the project provinces, but limited evaluative evidence was found that successful innovations travelled across provincial borders. The CPE offers two main explanations for this: (i) projects are implemented and financed by sub-national governments, who have little incentive to engage in and finance activities beyond their provinces; and (ii) partnership with other in-country partners including international financial institutions, who have the potential to scale up successful innovations is weak. The CPE also concludes that promoting and scaling

[1] The China CPE report will be discussed by the Evaluation Committee in November 2014, and by Executive Board at the same time when the latter considers the new China COSOP in 2015.

up innovative approaches to smallholder agriculture development should be at the core of the IFAD-China partnership.

7. The performance of non-lending activities (partnership building, policy dialogue and knowledge management) is assessed as moderately satisfactory. There have been some achievements in policy dialogue at the sub-national level, such as scaling up of participatory village development plans, although more can be achieved in the future at the national level. Similarly, while partnership with sub-national authorities and the Ministry of Finance is strong, there are opportunities to expand partnership with other (technical) institutions at the national level (e.g., Ministry of Agriculture) as well as other multilateral development agencies.

8. Within the broader realm of South-South cooperation, which IFAD has recently been supporting, China has been sharing experiences and technologies to other developing countries. In the latter part of the CPE period, IFAD also increased its efforts in knowledge management within and outside the portfolio. These are positive developments. Yet, overall, more resources will be needed to ramp up its engagement in non-lending activities and South-South and triangular cooperation in the future.

9. All country strategies (i.e., COSOPs) were generally aligned to IFAD's overall mandate, the needs of the poor, and government policies. They were also relevant to the rural context at the time of issue. The 1999 COSOP was essentially a joint IFAD/WFP strategy, whereas the 2011 COSOP was prepared according the guidelines for Result-Based COSOPs introduced in 2006. The 2011 COSOP is particularly relevant, as it includes knowledge management and South-South cooperation as objectives, which is consistent with Government priorities. However, the CPE finds that more attention could have been given to assessing the consequences of out-migration and to the targeting strategies in order to ensure that poorer segments of the rural population are the main beneficiaries of IFAD's support. Furthermore, strategic objectives for policy dialogue, knowledge management, partnership building and promotion of innovation and scaling up are not adequately supported by plans and budgets.

10. Overall, the CPE concludes that the China-IFAD partnership is strong and the aggregate performance of loan portfolio, non-lending activities and COSOPs is satisfactory. The main challenge in the future partnership is to enhance the emphasis on non-lending activities, which will need to be linked to an adequate investment project portfolio that focuses on promoting innovation and scaling up.

11. In general, the CPE also concludes that the IFAD-China partnership is very important for both IFAD and the Government. It merits being strengthened with necessary adjustments as it moves forward, by taking into account the social-economic developments and growth in the country over time. In this regard, it is particularly significant that income per capita has risen over time. Yet, a large number of rural people (around 150 million) still live on less than US$1.25 per day, inequality remains significant, and market reforms need further intensification. This therefore provides the imperative for IFAD's continued engagement in China for the foreseeable future, taking into account the Fund's overall mandate and responsibility of rural poverty reduction in its developing Member States in all regions.

C. Agreement at completion point

12. The CPE makes an overarching recommendation that IFAD and the Government move forward to prepare a new COSOP for China, which will build on the findings and recommendation of this CPE and provide the foundations of the main areas of intervention in the context of a renewed partnership and cooperation between the Fund and China. The CPE makes six overarching recommendations that should be included into the new COSOP: (i) Targeting the portfolio in a changed rural context; (ii) Strengthen knowledge cooperation; (iii) Sharpen focusing on scaling up impact;

(iv) Promote South-South and triangular cooperation; (v) Strengthen partnerships with Government and other in-country stakeholders; and (vi) Enhancing IFAD presence and capacity in the country including out-posting of the China CPM.

13. **Recommendation 1: Targeting in a changed rural context**

(a) **Geographical targeting – the middle way.** The new COSOP should carefully consider the provinces, counties and villages to include in future IFAD-supported programmes, ensuring they are fully relevant both with IFAD's corporate policy on targeting and Government's priorities for rural poverty reduction. Particular attention should be devoted to villages with poverty and a production potential, which younger people are willing to exploit, making farming a business. These are not all necessarily very remote villages but villages with challenges in their natural resource environment while having production potential. An additional selection criterion should be the status and plans for village infrastructure. When identifying beneficiary villages/areas during design and/or implementation, a careful assessment would need to be made of the migration trends so as to avoid ending up with almost empty villages at project completion.

(b) **Socio-economic targeting – flexibility.** Rural-urban migration is accompanied by two other trends. First, land consolidation with farm units getting bigger, thereby raising labour productivity and reducing the acceleration in the rural-urban income gap. Second, agricultural commercialization is growing with increased productivity to meet the demand of the rapidly growing population. This trend tends to favour scale – either large production units or smaller units, which join in cooperatives that assemble (and process) the produce and meet the quality and delivery requirements of buyers. There are large private or state corporations entering this process but they do not need to be assisted by the IFAD-supported portfolio. However, there are also younger farmers who wish to make farming a business. Some may be returning migrants who have accumulated some savings, which they now want to invest. They may start micro, with 15-25 mu, but with the ambition to grow small or perhaps medium size (50-200 mu). Even though they most likely are not below the poverty line, they need support for developing their production, financial management and marketing skills, and they need access to finance for inputs and farm equipment. If they succeed, they will create employment on-farm as well as off-farm in the local cooperative and processing entities. And poor households, retired farmers or households who have left obtain income from leasing their contract rights. This CPE recommends that the portfolio apply a flexible socio-economic targeting approach, ensuring these groups are not excluded as well in future programmes, but with somewhat differentiated packages. When supporting cooperative development it is also important to engage with the younger business-oriented farmers who are likely to be the leaders in development of cooperatives. It is seldom the poorest households who lead.

(c) **Supporting ethnic minorities.** The other leg in the targeting strategy would be to continue supporting ethnic minorities in remote mountain and forest areas, which have not yet been integrated into the mainstream agricultural commercialization process. Their production systems are diverse (crops, forest products, fisheries, livestock) and largely organic. Productivity is low, but can be raised with organic methods, requiring knowledge more than inputs and hardware. And, there are niche markets for some of their products but market access can usually be a constraint. In such more stable homogenous communities, it would be appropriate to work with all community members, regardless of their poverty status.

14. **Recommendation 2: Strengthen knowledge cooperation**

The future IFAD-supported country strategy and activities should continue to include a specific objective and significant emphasis to knowledge cooperation. To ensure success and credibility in this area, IFAD will need to maintain an adequate lending programme in China, which will provide the basis for learning lessons and identifying good practices in promoting poverty reduction in remote rural areas. A programme of knowledge cooperation would also include attention to documenting and sharing experiences and lessons from China that can help towards scaling up success stories in the country and elsewhere, as well as proactively supporting activities and organizing events that will promote the transfer of IFAD's accumulated knowledge, good practices, and lessons in smallholder agriculture and rural development from other countries to China. With regard to the latter, one concrete area is rural finance, where IFAD's rich global experience can be of use in developing sustainable rural financial service instruments and products to support the poor in China gain reliable access to required levels of capital for both investments and consumption purposes. Finally, the new country strategy should clearly specify the human and financial resources that will be allocated to knowledge cooperation, especially the administrative budget that will be mobilized to satisfactorily achieve this priority.

15. **Recommendation 3: Sharpen focusing on scaling up impact**

IFAD's resources allocated to China are relatively limited as compared to the financial resources of the central Government, the private sector, and other donors. Therefore, to ensure that successful innovations promoted in the context of IFAD operations have a wider sustainable impact on rural poverty in the country, scaling up beyond individual counties and provinces/regions by others (e.g., the national Government, donors and the private sector) should represent a priority for the future. Attention to scaling up will also contribute to ensuring the sustainability of the benefits generated through IFAD operations. This will require both IFAD and the Government (both at central and provincial level) to: (i) pay attention and allocate dedicated resources to non-lending activities (knowledge management, partnerships and policy dialogue) in China; and (ii) ensure that scaling up objectives are clearly specified in the COSOP and project design, and progress assessed and reported in all supervision, mid-term review and project completion reports.

16. **Recommendation 4: Promote South-South and triangular cooperation**

IFAD should continue to play a facilitation role in promoting South-South and triangular cooperation between China and other Member States, in cooperation with other major development partners working in agriculture in the country. This would include, inter alia, activities related to knowledge sharing; facilitation of partnerships between China and other governments that have technical expertise needed for smallholder agriculture development in China; facilitating visits and training of Chinese officials and project staff in other countries and pertinent international/regional platforms; promoting investment cooperation in the context of IFAD operations; and identifying opportunities to promote the transfer of technology and experiences from China to other IFAD Member States, and vice-versa. It is further recommended that the next China COSOP clearly articulate the specific activities and measures of success, together with the required estimated budget in relation to South-South and triangular cooperation that IFAD will promote in line with the priorities of the country. The CPE further recommends that the IFAD Management, in consultation with the Government, explore opportunities for establishing within IFAD a dedicated facility for South-South and Triangular cooperation.

17. **Recommendation 5: Strengthen partnership with Government and other in-country stakeholders**

The future country strategy and operations should ensure a strengthened partnership with other relevant government institutions at the national level. Opportunities for a greater involvement of the private sector as well as academic and research institutions should also be proactively explored. Investing in developing concrete partnerships with international organizations – in particular the AsDB, FAO and the World Bank – should be a priority, for example, in cofinancing activities, knowledge sharing, policy dialogue, scaling up, and South-South cooperation. Partnerships with international organizations would not only add value and lead to better effectiveness of IFAD operations in China, but also contribute to lowering transactions costs in general for IFAD, the Government and others concerned.

18. **Recommendation 6: Enhancing IFAD presence and capacity in the country including out-posting the China CPM**

Given the size and scope of the country programme, IFAD Country Office (ICO) in Beijing should be strengthened in general, so that the ICO could adequately support both project work and non-lending activities, including policy dialogue, partnerships building, and knowledge management as well as South-South and triangular cooperation. In particular, the CPE recommends that the China CPM be out-posted from Rome to Beijing at the latest by end 2015. A resident CPM will not only contribute towards improving IFAD's visibility and brand, but also help strengthen project supervision and implementation support, monitoring and evaluation, dialogue with Government and other in-country partners, partnerships for scaling up impact, as well as knowledge sharing within and beyond the China programme.

Signed by:

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The Inner Mongolia Autonomous Region Rural Advancement Project (IMARRAP) supported demonstration and widespread of drip irrigation technology.

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People's Republic of China
Country Programme Evaluation

I. Background

A. Introduction

1. This is the first country programme evaluation (CPE) undertaken by the Independent Office of Evaluation of IFAD (IOE) in China since the inception of the Fund's operations in 1978 and its engagement in China in 1981.[1] The evaluation was conducted in accordance with the provisions of the revised IFAD Evaluation Policy[2] and followed IOE's methodology and processes for CPEs outlined in the Evaluation Manual.[3]

2. Before this CPE, IOE conducted four project evaluations in China since the year 2000. The assessment of some IFAD operations in China have also been covered by other evaluations (e.g. in the context of thematic evaluations) undertaken by IOE in the past, as shown in the table 1.

Table 1
Previous IOE evaluations since 2000 relating to IFAD operations in China

Evaluation type	*Evaluations*
Project evaluations	Rural Finance Sector Programme, 2013
	West Guangxi Poverty-Alleviation Project, 2010
	Qinling mountain Area Poverty-Alleviation Project, 2010
	Southwest Anhui Integrated Agricultural Project, 2006
Corporate-level evaluations including China	Evaluation of IFAD's Regional Strategy for Asia and the Pacific, 2006
Thematic evaluations, including China	Organic Agriculture and Poverty Reduction in Asia: China and India focus, 2005
	Promotion of Local Knowledge and Innovations in Asia and the Pacific Region, 2004
	Thematic Study on Rural Financial Serves in China, 2001

3. China is the second largest recipient country of IFAD's assistance. Since the approval of the first loan in 1981, IFAD has provided loans with a nominal value of US$775.1 million for 27 projects (see annex II). The most recent project was approved by the Executive Board in December 2013. The total project portfolio cost is around US$1.9 billion, including Government counterpart funding of US$908 million. Except for four loans on intermediate terms, the loans were provided on highly concessional terms till 2010; thereafter, all loans are approved on ordinary terms.[4] IFAD's financing has primarily supported rural finance, agricultural production and marketing, rural infrastructure, environmental management, and institutional development, including rural enterprises and cooperatives.

4. In addition, some non-lending activities have been implemented in the country, often funded through grants, including knowledge management, policy dialogue

[1] China became an IFAD member in 1980 and the first IFAD-financed project was approved in April 1981.
[2] Approved by IFAD Executive Board in May 2011 (see document EB2011/102/R.7/Rev.1). Also available on: http://www.ifad.org/evaluation/policy/new_policy.htm.
[3] Available on:http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf.
[4] IFAD provides loans to developing Member States on highly concessional, blend and ordinary terms for approved projects and programmes, based on the stipulated criteria for determining the terms to apply to a specific country. According to the Policies and Criteria for IFAD Financing, loans on ordinary terms shall have a rate of interest per annum equivalent to 100 per cent of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of 15 to 18 years, including a grace period of 3 years.

and partnership building. More recently, IFAD has facilitating some activities related to South-South cooperation.

5. In 1987, IFAD prepared its first country programme strategy for China, which has been updated and revised on several occasions. Over the evaluated period, IFAD issued three country strategic opportunities programmes (COSOPs) for China in 1999, 2005 and 2011. A country office, hosted by the World Food Programme (WFP), was established in 2005 with one country programme officer (CPO). Currently, the IFAD country office (ICO) in Beijing has three professional (national) staff. The IFAD country programme manager (CPM) for China is based at IFAD headquarters in Rome. Table 2 below provides a snapshot of key data related to the IFAD-supported projects and programmes in the country.

Table 2
A snapshot of IFAD operations in China

First IFAD-funded project approved:	*1981*
Total IFAD-funded projects approved:	27
Number of ongoing projects:	7
Total amount of IFAD lending:	US$775.1 million (nominal)
Lending terms:	Highly concessional (1981-2006, except 1982 and 1986), Intermediate (1982,1986,2008 and2009) and Ordinary (since 2011)
Counterpart funding (Government):	US$908 million (nominal)
Co/parallel financing amount:	US$101.4 million (nominal)
Total portfolio cost:	US$1.93 billion (nominal)
Focus of operations:	Rural finance, agricultural production and marketing, natural resource management, rural infrastructure, cooperatives and small and medium enterprises, empowerment of woman, capacity and institutional development, South-South cooperation
Main co/parallel financiers:	World Food Programme, Australian Centre for International Agricultural Research, United Nations Development Programme, United Nations International Drug Control Programme, German Agency for Technical Cooperation (GTZ, today GIZ)
Past cooperating institutions:	World Bank and the United Nations Office for Project Services (UNOPS)
Country office in Beijing:	Since 2005, currently with one country programme officer (CPO) and two associate CPOs
Country programme managers (CPM):	9 country programme managers (CPMs) since 1981, including the current CPM (since 1 May 2014)
Main government counterpart:	Ministry of Finance (Ministry of Agriculture till 2004)*

* The Ministry of Finance of China has been IFAD's counterpart at country level since April 2004 when the responsibility was officially transferred from the Ministry of Agriculture.

B. Objectives, methodology and process

6. **Objectives.** The CPE has two main objectives: (i) to assess the performance and impact of IFAD-funded operations in China during 1999-2013; and (ii) to generate a series of findings and recommendations to serve as building blocks for formulation of the next results-based COSOP, to be prepared by IFAD and the Government of China following the completion of the CPE.

7. **Methodology.** To achieve these objectives, the evaluation analyses the performance of the three mutually reinforcing pillars of the IFAD-Government partnership. These include assessing the performance of:

   (i) IFAD-funded projects approved during 1999-2013 as well as the performance of partners (in particular of IFAD and the Government);

   (ii) Non-lending activities – policy dialogue, knowledge management, partnership-building and grants; and

   (iii) The COSOP in terms of its relevance and effectiveness.

8. Each of these pillars have been assessed individually, while efforts have also been made to capture the synergies among the various project and programmes financed by IFAD in China, as well as across lending and non-lending activities. The overall evaluation framework is presented in annex V, which includes the key questions covered by the CPE. Performance in each of the above-mentioned areas is rated on a scale of 1 to 6 (with 1 being the lowest score, and 6 the highest).[5] Based on these assessments, the CPE provides an overall achievement rating for the IFAD-Government partnership. Throughout the CPE, specific efforts have been made to outline the proximate causes of good and less good performance.

9. With regard to portfolio performance, IOE applied its evaluation methodology for each of the thirteen projects, using internationally-recognized evaluation criteria[6] of relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation and scaling up, gender equality and women's empowerment, and the performance of partners.

10. The assessment of non-lending activities entails a review of the combined efforts of IFAD and the Government in promoting policy dialogue, strengthening partnerships, and knowledge management. The role of grants in strengthening the country programme is also evaluated, including the synergies between grant- and loan-financed activities. In this context, the grant provided by IFAD to facilitate South-South cooperation receives special attention, given that South-South cooperation is one of the three strategic objectives of the 2011 COSOP.

11. Thereafter, the CPE presents an assessment of the COSOPs' performance in China in terms of relevance and effectiveness in relation to seven principal elements: (i) strategic objectives, (ii) geographic priority, (iii) subsector focus, (iv) main partner institutions, (v) targeting approach used, (vi) mix of instruments in the country programmes (loans, grants, and non-lending activities); and (vii) the provisions for COSOP and country programme management.

12. As a general practice, CPEs normally cover a ten-year period of IFAD engagement in the country evaluated. For China, however, this CPE covers a longer evaluation time period, from 1999 to 2013, which was agreed with IFAD Management and the Government of China at the outset of the evaluation. Being the first CPE in the country, this would enable the evaluation to assess the previous three COSOPs, covering the periods of 1999-2005, 2006-2010, and 2011-2015, and as such, allow for a more comprehensive independent assessment of the IFAD-Government partnership in reducing rural poverty in the country over the past 15 years.

13. **Process.** The CPE process included five phases: (i) preparatory phase; (ii) desk review phase; (iii) country work phase; (iv) report writing; and (v) communication and dissemination.

14. The preparatory phase included the development of the approach paper, which outlined the evaluation objectives, methodology, process, timelines, key questions

[5] 1: highly unsatisfactory, 2: unsatisfactory, 3:moderately unsatisfactory, 4: moderately satisfactory; 5: satisfactory, and 6: highly satisfactory.

[6] Evaluation criteria applied by IOE are consistent with international good practice set out in the OECD/DAC Glossary of Key Terms in Evaluation and Results-Based Management.

and related information. A preparatory mission was conducted in China in May 2013 to discuss the draft approach paper with the Government and other partners. During the preparatory mission, IOE also searched for national consultants who could be involved in the CPE. The approach paper was finalized at the outset of the process following the incorporation of comments made, respectively, by IFAD's Asia and Pacific Division (APR) and the Government of China. It is therefore the master reference CPE document, capturing its overall scope, methodology and process.

15. The desk review phase included the preparation of desk review notes on each of the 13 projects and programmes covered by the evaluation (with an exception of the most recent projects which was approved after the completion of the main CPE mission), and non-lending activities (see appendix I). Based on these individual desk review notes, a consolidated desk review report was prepared. This provided an initial assessment of IFAD activities in the country, as well as identified key issues that required further analysis during the country work phase of the evaluation. Some of the issues emerging from the desk work phase included: (i) IFAD's targeting approach and support strategies in the context of land consolidation and an ageing farmer population; (ii) the contribution to innovation and scaling up; (iii) IFAD's potential future role in rural finance; and (iv) IFAD's role in facilitating South-South cooperation.

16. During the desk review phase, APR and the Government of China (through MOF) were invited to prepare their self-assessments on the China country programme. The self-assessments, which proved to be very useful for the CPE, were based on the main questions in the evaluation framework.[7] A summary of the self-assessments is contained provided in chapter VII.

17. The country work phase entailed primarily the fielding of a multidisciplinary expert team of staff and consultants, which spent over three weeks in China between August and September 2013. In Beijing, the mission held discussions with representatives of the Government and other partners, and then travelled to Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Gansu Province. During the field visits, project activities were reviewed on the ground and discussions were held with provincial authorities, project management officials, beneficiaries as well as other stakeholders. Consultations were also held with selected donor agencies, development partners, civil society and IFAD country office staff. An informal discussion was held with the MOF and IFAD's country office at the end of the mission, while a formal debriefing was organized by the MOF in October 2013.

18. **The CPE report-writing phase.** During this phase, IOE prepared the draft CPE report, which was exposed to a rigorous internal peer review within IOE as well as reviewed by a senior independent adviser, contracted by IOE for the China CPE. In May 2014, the draft report was shared with APR and the Government for their review and feedback, before being finalized. Based on the comments received, IOE prepared audit trails explaining how the comments had been treated in the report.

19. **The final phase, communication and dissemination.** This phase involved a range of activities to ensure timely and effective outreach of the findings, lessons learned and recommendations of the China CPE. A National Roundtable Workshop was held in Beijing on 17 July 2014, jointly organized by the MOF and IOE to discuss the main issues, findings and recommendations from the evaluation. IOE also prepared an evaluation Profile and an Insight[8] in both English and Chinese on the China CPE, which were disseminated widely along with the CPE report through

[7] The CPE evaluation framework is shown in the annex V of this report.

[8] Profiles and Insights are brochures of around 800 words each, aiming at reaching a wider audience, including IFAD Management, key policy makers, government officials and development practitioners, among others. An evaluation profile contains a summary of the main findings and recommendations arising from the CPE, whereas the Insight focuses on one key learning issue emerging from the CPE, with the intention of raising attention and stimulating further debate on the theme among development practitioners.

selected networks such as the Evaluation Cooperation Group of the multilateral development banks, and the United Nations Evaluation Group.

Key points

- This is the first ever CPE in China by IOE.
- China is the second largest borrower of IFAD resources. Since 1981, IFAD has approved lending worth US$775 million for 27 projects for which the Government has provided counterpart financing worth US$908 million. The total portfolio cost is around US$1.93 billion, including international cofinancing.
- Over the 1999-2013 period covered by the CPE, IFAD lending up to 2010 was on either highly concessional or intermediate terms (19 loans and 4 loans respectively), while ordinary terms have been applied from 2011 onwards (to date 4 loans).
- The CPE is guided by two main objectives: (i) assessing the performance and impact of IFAD operations in China; and (ii) generating findings and recommendations to serve as building blocks for the formulation of the next China results-based COSOP, to be jointly prepared by IFAD and the Government of China following completion of the CPE.
- The CPE included five main phases: preparatory, desk review, country work, report writing and communication and dissemination, with specific deliverables for each phase.

II. Country context

20. This chapter focuses on the key country contextual characteristics that are important to agricultural and rural development, in particular to the reduction of rural poverty in China.

A. Overview[9]

21. China has the world's largest population, estimated at 1.35 billion in 2012 (around 20 per cent of the total world population). There are 56 officially recognized ethnic groups, the largest being the Han Chinese with 1.137 billion people. The geographic distribution patterns of these ethnic groups are quite diversified. For instance, the Tibetans, Uyghurs, and Mongolians are more concentrated in their traditional residential areas; while the Han, Man, and Hui are spread throughout the country. In addition to provinces, direct-controlled municipalities and Special Administrative Regions, there are also five autonomous regions[10] which account for 64 per cent of the territory of mainland China. The vastness of the country leads to considerable diversity in terms of socio-economic conditions, human and physical capital, climate and natural resources, and ethnicity.

22. **Macroeconomic performance.** In 1978, after decades of pursuing a centrally-planned and command economy, China embarked on a major programme of economic reform and opening up, starting with the de-collectivization of agriculture by replacing collective farming with the Household Responsibility System (HRS) and gradual economic liberalization. This fuelled the longest period of high economic growth and poverty reduction in world history, which has been noted widely. Since then China has maintained an average annual GDP growth rate of 9.8 per cent, with the GDP per capita rising from US$193 in 1980 to US$6,807 in 2013, against the backdrop of the worldwide financial crisis. Benefiting from this trend, China has become the world's second largest economy by nominal GDP and by purchasing power parity (PPP). When China and IFAD initiated their partnership in 1981, China was a low-income developing country with major food security issues while today China has been classified as an upper-middle-income country

[9] Data for China in this report does not include data for Hong Kong SAR, China; Macao SAR, China; or Taiwan, China.
[10] Geographic areas with a high concentration of ethnic minorities enjoy a high degree of administrative autonomy at the province, prefecture, county and township levels, according to the Regional Ethnic Autonomy Law promulgated in 1984.

(2013 gross national income (GNI) per capita of US$6,560 at market exchange rate and US$11,850 at PPP)[11] and become a donor to the World Food Programme. Table 3 shows the recent main macro-economic indicators from 2010 to 2013.

Table 3
China: Main macro-economic indicators

Indicator	*2010*	*2011*	*2012*	*2013*
Real GDP growth (annual per cent)	10.4	9.3	7.8	7.7
GNI per capita, Atlas method (current US$)	4 240	4 900	5 720	6 560.
GNI per capita, PPP (current international $)	7 470	8 240	9 040	11 850
Total investment (per cent of GDP)	48.22	48.27	48.85	48.89
Agriculture, value added (per cent of GDP)	10.1	10.0	10.1	n.a.
Industry, value added (per cent of GDP)	46.7	46.6	45.3	n.a.
Services, value added (per cent of GDP)	43.2	43.4	44.6	n.a.
Inflation, GDP deflator (annual per cent)	6.7	7.8	1.8	n.a.
Gross national savings (per cent of GDP)	52.23	50.12	51.01	49.98
General government structural balance (per cent of GDP)	-1.03	-0.69	-1.43	-0.99
General government gross debt (per cent of GDP)	33.54	28.72	26.11	22.90
Current account balance (per cent of GDP)	4.01	1.86	2.35	2.06
Total international reserves (current US$ bn)	2 875.9	3 212.6	3 340.9	3 849.4

Source: International Monetary Fund, World Development Indicators, Economist Intelligence Unit 2014.

23. **Public sector finance.** China has maintained healthy economic balances during more than 30 years of rapid economic growth since 1978. The current account has been in surplus and the foreign exchange reserves rose to US$3.82 trillion at the end of 2013.[12] Public deficit has for most of the years been maintained within a modest range of 1 to 3 per cent. Despite the large amount of foreign exchange reserve and overall well-managed financial stability, some provincial governments are confronted with the problem of debt.

24. With the abolition of agricultural taxes in 2006,[13] the revenue of local governments, in particular those in remote regions, were significantly reduced in terms of both sources and volume. As a mitigation strategy and in order to make up for the widening gap between revenues and expenditures, provincial governments have come to rely on extra revenues generated from land sales and on borrowing through special-purpose vehicles known as Local Government Financing Vehicles (LGFVs). These sources of revenues, however, have gradually evolved into major risk factors that could undermine financial stability and economic growth. As at the end of 2012, the total government debt for which the local government bears the

[11] Data retrieved from World Development Database. Available on http://databank.worldbank.org/data/download/GNIPC.pdf.
[12] Data retrieved from China's State Administration of Foreign Exchange (SAFE).
[13] Agricultural tax exemption was piloted in 2000, and then scaled up to 592 nationally designated poverty counties. As of 1st January 2006, the China's 2,600-year-old agricultural tax was rescinded.

responsibility to repay[14] had a debt balance amounting to CNY 19,065.86 billion (equivalent to about US$3,063.27 billion), equivalent to 36.74 per cent of the total GDP in 2012, which is below the internationally recognized warning line.[15] The outstanding debt of the local governments totalled CNY 15,885.83 billion (including contingent liabilities and debt guarantees), about 37.23 per cent of which were backed by land sales revenues.

25. **Human development.[16]** Along with the widely noticed economic growth, great human development has been also made in the past three decades. With the current value of 0.699, China ranked 101 out of 187 countries and regions in the 2013 United Nations Development Programme (UNDP) Human Development Index (HDI), representing a remarkable increase of 72 per cent from the 0.407 it registered on this scale in 1980. With respect to health, China has sharply reduced the devastation of infectious diseases, and expanded coverage of health insurance to urban and rural areas. Life expectancy at birth reached 73.7 years, increased from 61 years in 1970. The mortality rate under age five stands at 14 per 1,000 live births (2012), compared to 61 in 1980. The nine years of compulsory and free education has been implemented in the country. As of 2012, the gross enrollment ration for primary school was 128 per cent.[17]

26. **Millennium Development Goals (MDGs).** Since September 2000, the Government has remained steadfast in its pledge to support the MDGs and has achieved acknowledged progress. According to the joint United Nations-Ministry of Foreign Affairs Report on China's Progress toward the MDGs in 2013,[18] the country has met 7 out of the 15 well-defined targets under the MDGs ahead of the 2015 target date.

27. **Poverty.**[19] It has been acknowledged that the reform-driven economic growth, together with national poverty reduction programmes, have helped to alleviate poverty in China. Over the last three decades, the Government has been continuously increasing its funding for poverty alleviation with over CNY 320.1 billion earmarked with an average annual increase of 16.8 per cent and altogether more than 600 million people have been lifted out of poverty. In 1981, 85 per cent of the population lived on less than US$1.25 per day, whereas in 2009 the estimated number of people living on less than US$1.25 per day was approximately 159 million or 11.83 per cent of the total population, and the number of the people who lived on less than US$2 per day was approximately 367 million or 27.2 per cent of the total population.

28. Today the remaining pocket of poverty is largely concentrated in rural areas, in particular in the mountainous and remote areas with ethnic minorities. These areas are usually characterized by challenging natural environment with water scarcity, low soil fertility and poor endowment with natural resources. Using China's rural poverty line of annual per capital net income below CNY 2,300 (2010 constant prices),[20] the number of poor people living in rural areas amounts to 82.5 million in

[14] The local government debt is classified into three types, namely: (i) debt where the Government bears the responsibility to repay, (ii) debt where the Government bears guarantee obligations, and (iii) debt where the Government may bear some responsibility for relief.
[15] Internationally recognized standard of 60 per cent debt-to-GDP ratio.
[16] Data retrieved from the World Bank, World Development Indicators.
[17] Gross enrollment ration can exceed 100 per cent due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition.
[18] Ministry of Foreign Affairs of the People's Republic of China and the United Nations System in China, *China's Progress Toward the Millennium Development Goals: 2013 Report*, Beijing. Available on http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH-MDGs2013_english.pdf.
[19] World Bank, 2009. *From poor areas to poor people: China's evolving poverty reduction agenda an assessment of poverty and inequality*. Washington, DC: World Bank.
[20] The amount of annual income in United States dollars is 370.36 or US$1.0 per day.

2013, which takes 64.5 per cent of the total poor population and 13.1 per cent of the total rural population.[21]

29. Furthermore, the population is rapidly ageing and quite often it is the elderly and people with disabilities who struggle below or around the poverty line. By 2013, over 200 million people were aged 60 and above (15 per cent of the total population), a figure that is projected to increase to 480 million by 2050. With the remaining numbers of rural poor, it is becoming more difficult and costly to obtain the impressive numbers of people lifted out of poverty.

30. While abject poverty has been mostly eradicated, a large number of people are still close to the poverty line, with limited capacity to survive from unexpected external shocks and high risk of falling back into poverty. The challenge of this transient poverty is to ensure that these households remain out of poverty on a permanent basis. A large part of the success in this endeavour will however remain unrecorded in poverty reduction statistics.

31. Government has classified 14 zones (crossing provincial boundaries) as the focus for its poverty alleviation efforts. The 14 zones contain 680 nationally designated poverty counties which benefit from special financial support under the government's different rural poverty alleviation programmes, such as the "whole village approach" (see below). Many of these transfers are earmarked for specific activities and investments for the rural poor, and therefore the counties have limited discretionary budget which they can freely use, e.g. to provide counterpart contribution to an IFAD-supported project.

Table 4
Population (year-end figure)

Indicator	*Population (million)*	*Proportion of the total population (%)*	*Year*
Total population	1 360.7	100.0	2013
Rural population	629.6	46.3	2013
Urban population	731.1	53.7	2013
Male population	697.3	51.2	2013
Female population	663.4	48.8	2013
Total poor population	128.0	9.5	2011
Poor rural population*	82.5	6.1	2013

Source: National Bureau of Statistics of China.
* Rural poverty line of annual per capital income of 2,300 yuan (at 2010 constant price), which is equivalent to about US$1 per day.

32. **Increased inequality.** Inequality in China is strongly linked to the urban-rural divide, in particular the urban-rural income gap which has widened since the early 1980s. Apart from 1978 to 1984 when agriculture was booming, China's economic growth has largely been led by investments and exports of the manufacturing sector utilizing the large labour reserve and involving huge rural-urban migration. Partly for this reason, inequality increased significantly with the enlarged income gap (the national Gini coefficient rose from 0.29 in 1981 to 0.473 in 2013). Inequality increased in both urban and rural areas and overall there was an increase in the per capita income gap between rural and urban areas, between the western/central regions and eastern/coastal zones, and between agriculture and the industry and services sectors. In particular, with the introduction of special economic zones in coastal areas since the mid-1980s, market-oriented disparities have been accentuated. The contribution of agriculture to GDP has declined to only

[21] Data retrieved from National Bureau of Statistics of China. Available on: http://www.stats.gov.cn/english/PressRelease/201402/t20140224_515103.html.

10 per cent whereas industry and services each contribute about 45 per cent. However, agriculture continues to employ some 33 per cent of the labour force.

33. The inequality issue is strongly related to the inequality in opportunity which is partly attributable to the household registration or *hukou,*[22] a domestic quasi-passport system. Although the rapid industrial growth over the past decades has required the elimination of barriers to migration, the *hukou* system still have certain implications, in particular the difference in access to employment, education, medical care and social security between those people who are registered as residents in a given municipality and those who are not. Over the last decade there have been two major counterbalancing trends. The Government has significantly increased transfers to poor regions and rural areas, in terms of agricultural subsidies, social services and welfare programmes, and infrastructure investments. Meanwhile, as a consequence of the one-child policy, the labour reserve is gradually decreasing. Total labour force (some 798 million) has started to decline and this in turn is driving up urban wages, but also rural wages have risen sharply since 2003. However, the per capita net income of urban residents remains about three times that of rural residents, and the disparity has increased over the last 30 years.[23]

34. **Degradation of natural resources.** Damage to natural resources has been a severe problem accompanying the rapid economic growth and industrialization. The costs of environmental degradation and resource depletion are estimated to be close to 10 per cent of GDP (air pollution: 6.5 per cent; water pollution: 2.1 per cent; soil degradation: 1.1 per cent).[24] The negative impact of pollution has drawn the increasing attention of the public. Access to clean water for human consumption, agriculture and other production is a major challenge in some areas, in particular in the north.

35. **Towards balanced quality growth.** Over the last decade, the Government has increasingly recognized the need for a new growth model which is environmentally sustainable, consumption-driven rather than export/investment-driven, socially balanced, emphasising "life satisfaction" rather than material growth, and based on increased labour productivity rather than cheap labour. This is most explicitly expressed in the Government's 12th Five Year Plan for Economic Development 2011–2016, which emphasizes green growth and social justice, addresses inequalities in opportunity, builds on "Scientific Outlook on Development" and outlines further market reforms to stimulate technology development and economic efficiency. A study jointly conducted by the World Bank and Development Research Centre of the State Council[25] projects that China will reach high-income country status around 2030 and outlines a vision and strategies for building a modern, harmonious and creative society.

36. GDP growth has slowed from a level of around 10 per cent per year up to 2011, to about 7.5 per cent following reduced international demand after the global financial crisis and increased Government emphasis on quality growth. Forecasts for the medium term, 2013-2017, suggest annual GDP growth rates in the range of 7 to 8 per cent. Risks include the debt-financed boom in the housing sector and escalating local government debt. Long-term risks to high growth include an increasing dependency ratio. In this regard, the Standing Committee of the National People's Congress, the *de facto* legislative body of China has passed a resolution allowing couples to have two children if neither of them have siblings.

[22] The *hukou* system is an national registration system that was initially adopted in the late 1950s to control domestic immigration, especially from rural to urban.
[23] Shuai Chuanmin, 2010. *Research on Poverty Alleviation and Development Models and Efficiency in Rural China*. Beijing: People's Press.
[24] World Bank, 2013. *China 2030 : Building a Modern, Harmonious, and Creative Society*. Washington, DC: World Bank.
[25] World Bank, 2013. *China 2030 : Building a Modern, Harmonious, and Creative Society*. Washington, DC: World Bank.

B. Agricultural and rural development

37. **Natural resources.** Since 1978, China has almost doubled its cereal production (rice, wheat and maize) and is now feeding close to 20 per cent of the world population while having less than 11 per cent of the world's agricultural land and less than 6 per cent of its water resources.[26] In absolute terms, China has a vast territory, with abundant natural resources. However, the per capita natural resources are poor (accounting for only 25 per cent of the world average) due to the huge population and the uneven geographic distribution (e.g. water shortage in the north and flood risks in the south). Since 1997, cultivated land has declined from some 130 million hectares (ha) to 121.72 million ha (11 per cent of the total area) as a result of urban expansion and infrastructure construction, but also because of conversion of farmland on steep slopes into forest in order to protect the watersheds. China has comparatively rich forest land (236 million ha) and grassland (262 million ha), which are 25 per cent and 28 per cent of the total area, respectively.[27] China's endowment of water resources is extremely low, in particular in the North China Plain where water resources for irrigation are being rapidly depleted, which constitutes the main constraint on future agricultural development.

38. **Land tenure.** Land in China is publicly owned; urban land is owned by the state while rural land is owned by the collectives (villagers). While ownership has not been subject to change, the rural land policy and legal framework is evolving continuously in response to China's economic transition.

39. People's Commune 1958–1978: In 1958, China began to organize rural householders into "people's communes" where most of the arable land became collectively owned and managed by the people's communes, with the exception of small plots of "self-served" lands. All farmland was owned by the commune, and all farmers worked for the commune in production teams and received grains and income based upon the number of people in the family who participate in the agricultural work and their labour input. The system was also characterized by the integration of government administration with commune management.

40. The Household Responsibility System (HRS), 1979 to the present: As part of the "reform and opening up", the Government of China initiated rural land reform by implementing the HRS in the early 1980s. Under this system, village collectives own the farmland and land-use rights were allocated to the individual households via contract. In the early 1980s, the people's commune system was abolished and land ownership was transferred to the village collectives. Without changing the ownership of the arable land, farmers were entitled to rent the land initially for a lease period of 15 years and distribution was based on household size. Afterwards, to encourage farmers' long-term investments in the arable land, the Law on Land Contract in Rural Areas was promulgated in 2002, providing for 30-year arable land-use leases.

41. While the HRS provided new incentives and stimulated rapid increase in production, it also resulted in small farm units, an average of 0.7 ha per household, and overall the average in the north is larger than in the south. Furthermore, average unit size declined to 0.6 ha in 2002 when a gradual land consolidation started. Though intensive production on the small units has significantly increased land productivity, the small unit size limits labour productivity, and therefore farm household income has not kept pace with the income improvement of urban households working in industry and services. With the incentive of increasing income, many rural young people, men in particular, have left to seek employment in urban areas, leaving the agricultural labour responsibilities to the elderly and/or the women with children.

[26] Luc Christiaensen, 2012.*Food, Farms and Fields in China 2030, The Role of Agriculture in a Modernizing Society.* Washington DC: World Bank.
[27] Data retrieved from the National Bureau of Statistics of China.

42. **Rural–urban migration.** While rural poverty reduction has been driven by growth in rural economic activities, government investments, agricultural support policies, and social welfare transfers in rural areas, rural-urban migration and remittances also play an important role in this process. Within the last 25 years, China has been transformed from a predominantly rural society with urbanization of 25 per cent to a predominantly urban society with urbanization above 50 per cent (51.3 per cent in 2011). According to the Chinese National Bureau of Statistics, the total number of rural migrants working in cities in 2011 was estimated at 158 million and in 2011 alone, the rural population was reduced by an estimated 15 million. About one half of rural households have at least one member working outside the home village, and remittances account for more than 20 per cent of total rural income and more than 40 per cent of migrant-sending households' total income. The large number of rural people moving into the city increases the demand for agricultural products.

43. The phenomenon of "villages with empty houses" is becoming widespread, less in the productive plain areas and more in remote mountain areas and in areas with a harsh natural resource environment.[28] Although they have migrated, households may choose to keep their houses and land because there are no buyers and/or as a safety net in case of economic crisis, but they no longer use the houses for most of the year. The implications of migration should not be ignored. With comparatively high wages generated by working in the cities, young emigrants contribute to the improvement of the income and livelihood of their families in the rural area. However, as mentioned earlier, the migration of youth reduces the labor availability in the village, which can be a main challenge for the improvement of agricultural productivity.

44. **Land consolidation.** The extensive rural-urban migration of labourers forces households to lease arable land to neighbours or companies and cooperatives, resulting in land consolidation. The leasing to neighbours may often be based on informal temporary contracts, which are not officially recorded, and therefore official statistics would tend to underestimate the speed and extent of the land consolidation process. However, as more and more farmers obtain permanent urban jobs, and the age of the remaining farmers is increasing, there is a significant increase in farmers leasing their right of land contract to more specialized farmers, resulting in land consolidation (*tudi liuzhuan*) and larger farming units. According to an official report, by the end of 2012 the total area of land consolidation had reached 18 million ha (270 million mu) or 21.5 per cent of the total farmland contracted to Chinese farmers. There are more than 2.7 million specialized households (family farms) with farming units of more than 6.67 ha (100 mu).

45. The land consolidation process involving mechanization and other labour-saving measures will help to raise labour productivity and thereby halt or dampen the acceleration of the rural-urban income gap. It is a process that is strongly supported by government policy. For example, the 2013 annual No. 1 Document issued by the Central Committee of the Communist Party supports a transition to specialized households, family farms and rural cooperatives contracting land and developing diversified forms of moderate-scale operations. Subsidies for farm machinery have been introduced to increase the scale. Currently a major investment is being made in mapping, accurately measuring and registering the land contracts, which eventually will create a more transparent market for leasing

[28] A sample survey of 100 villages in Shandong Province conducted by the researchers from China Agricultural University identified the percentage of "empty houses" in a village, i.e. where all family members have left and no members have lived in the house for a long time. The average for the 100 villages was 35 per cent, and more than 50 per cent in 9 villages, with the highest being 65 per cent. The empty house rate was about 20 per cent in the plains, 30-40 per cent in the hilly areas and 40-50 per cent in the mountain areas. (Ye Qimao, Liu Lin, Li Xinzuo, Zuo Ting, 2013. Building Beautiful Homes for Farmers' Happy Life -Identification of Waste Houses or Plots in Rural Villages. Beijing: Chinese Construction Industry Press.

(and perhaps trading) land contracts. This process, which is under the leadership of the Ministry of Land and Resources, will lead to the issue of land contract certificates, which will provide farmers with legal protection and the option to lease their contract rights.

46. **Different production systems.** China has many different agricultural production systems, specific to the various agroecological contexts. However, overall one may speak of the mainstream systems, predominant in the plains and grain growing areas, which are highly input intensive (fertilizer, pesticides, seeds, irrigation) and often based on mono-culture. Production systems in remote mountain areas are characterized by diversity and inter-cropping, organic methods or minimal use of inputs, and integration of forest and livestock activities. However, in most cases, better-off farmers in these areas would more likely apply advanced or innovative farming methods or approaches whereas poor households normally tend to follow the traditional farming model to avoid any uncertainties and risks.

47. As early as 1992, conservation farming (no- or semi-tillage) was piloted and has since then gradually been scaled up to all counties of 13 northern provinces and autonomous regions. The technology has been proven to increase wheat yields by 10 per cent and maize yields by 5 per cent while reducing labour costs by 50 to 70 per cent, improving soil structure and reducing soil erosion.

48. **Agro-industrialization and modernization.** With the trend of land consolidation, agricultural commercialization as an increasing share of agricultural production has to be commercialized for the rapidly increasing urban population. This trend tends to favour scale – either large production units or smaller units, which join in cooperatives that assemble (and process) the produce and meet the quality and delivery requirements of buyers. This is the case for some of the cereal and industrial crops, and also for products such as wine in the Xinjiang Uyghur Autonomous Region. Farm units are large and cultivation methods are generally modern, mechanized and input-intensive. The model is a shortcut to agricultural modernization, and the rural poor benefit indirectly through employment. Another pathway, involving family farms, was introduced in 2001, where six ministries, led by the Ministry of Science and Technology (MOST) and the Ministry of Agriculture (MOA), started to pilot and scale up agricultural science and technology parks (ASTPs). Today there are 65 national ASTPs, each consisting of a core area, a demonstration area and a radiation (outreach) area, and builds on the principles of "government guidance, enterprise operation, intermediary participation and benefiting farmers." The ASTPs provide the exemplary frame for rapid upgrading of agricultural technology and for linking farmers to markets. The ASTPs partner with research institutions and science- and technology-oriented "dragonhead companies" to promote the agricultural modernization and industrialization process and work with a large number of "modernizing farmers", thereby creating rural employment and increased farm income.

49. For example, in October 2013, the Huang Jinjia group in Hebei province signed a strategic cooperation agreement with the French Chamber of Commerce and Industry to jointly build the Meisheng Park in Yongqing County, oriented towards developing "agriculture, leisure, culture and tourism", introducing typical French agricultural products, wine production, and advanced agricultural techniques. The intention is that the park, with a planned area of 1,870 ha, is expected to become the green platform for technological and cultural exchange between China and France and help some 80,000 farmers to become more well off.

50. **Food security and international food trade.** Given the huge population of China, long-term food security is an issue of both national and international significance for the stability of society. Sustaining food self-sufficiency and maintenance of affordable and stable food prices have always been high policy priorities for China. The Government has been applying various instruments to

promote food self-sufficiency, including input subsidies and guaranteed prices. Eight hundred counties have been designated as the main food production counties where large-scale commercial grain production is promoted. The interpretation of self-sufficiency or self-reliance has slightly changed over time. While the target was self-sufficiency in grains, self-sufficiency is today focusing on rice and wheat, while small imports of maize and large imports of soybeans for the rapidly increasing livestock sector are accepted. Imports of soybeans (mainly from Brazil and the United States) increased during 1999-2011 from 4 to 56 million tonnes.

51. In 2001, China joined the World Trade Organization. Since then China has introduced programmes to encourage crop diversification and agricultural reconstruction to increase the competitiveness in international agricultural trade. Given the small size of farm units, and the shortage of land and water, China's comparative advantage is more within high-value vegetables and fruits, and aquatic products than within extensive cereal production. Over the last decade, China has achieved a significant increase in exports of such high value products.

52. **Associations and cooperatives.** In 2006, the Law of the People's Republic of China on Specialized Farmers Cooperatives was promulgated,[29] providing the legal framework for the establishment of different kinds of specialized farmers' cooperatives. By April 2013, there were some 731,000 cooperatives registered in the local Administration of Industry and Commerce, but with different weight within the different geographical areas and agricultural subsectors.

53. According to the Law of the Specialized Farmers Cooperatives, a cooperative can be established by a minimum of only five persons with farmers accounting for at least 80 per cent of the membership. This has had two consequences. First, it has motivated some better-off commercial farmers to establish small commercial cooperatives, which operate more or less like shareholding companies. Generally, they are reluctant to admit poor farmers who produce small quantities and perhaps inferior-quality products. Secondly, it has stimulated the development of mixed cooperatives with outsiders and farmers (poor and rich) being members. Outsiders are mostly large agribusiness companies, often referred to as "dragonhead companies", which usually are the initiators and have a dominant position even though they constitute a minority among the members. The agribusiness companies use the cooperatives to source their raw materials, and local farmers are often in a weak bargaining position as it is the agribusiness company that provides most of the capital, and takes care of operations and management.

54. A potato cooperative in Huade County (under the IFAD-supported Inner Mongolia Autonomous Region Rural Advancement Project (IMARRAP) visited by the CPE mission) illustrates this type of "shareholder cooperative" and the land consolidation process. In 2011, one commercial farmer from Hebei Province, together with four local farmers in Deshan Village (Changshun Township of Huade County) established a potato cooperative, with the farmer from Hebei having 90 per cent of the shares. The cooperative rents 3,000 mu of farmland from local farmers, paying CNY150-CNY180 per mu, i.e. a total of about CNY 500,000, benefiting rich as well as poor households. Most of the field work is mechanized, but harvesting is labour-intensive and done by hiring local farmers, mostly from poor households, who are paid a total of about CNY 450,000. By doing this, the small cooperative of only five "shareholders" has created income in the community of at least CNY 1 million, regardless of the supplemental income generated by other off-farm activities.

55. **Agricultural commercialization.** Along with urbanization, smallholder commercialization has been a crucial feature of the rural transformation process, particularly in the mainstream agricultural areas where most of the agricultural

[29] Law of the People's Republic of China on Specialized Farmers Cooperatives, adopted at the 24th Meeting of the Standing Committee of the Tenth National People's Congress on October 31, 2006.

products are consumed by residents living in towns and cities. A diversity of systems and channels has been developed to link agricultural products to the markets, for instance in various forms of contract farming, which often involves large supermarket chains and "dragonhead" enterprises. The "company + farmer households (family farms)" model is the most common type where farmers produce according to contracts with a company (agri-product storage and processing companies, farmers' cooperatives, fast-food chains such as McDonald's or KFC and supermarkets such as Walmart or Carrefour). In some cases, the buyers provide some input as well as supervision to ensure food safety and quality standards, traceability, etc. A comprehensive model, practiced by China Oil and Foodstuffs Corporation (COFCO), covers the whole chain from the field to the table, including agricultural services, planting and breeding, inputs and logistics, processing and marketing.

56. With the rapid increase in the number of Internet users, some companies have introduced the "Business to Customer" or B2C model, sourcing produce from farmers and delivering directly to customers according to their on-line orders. This model is useful for specialized production, e.g. organic production in remote areas. With the support of NGOs, some remote communities have developed production of organic foods, which they sell directly to consumers, e.g. through a small shop in the town or city, a sale which is based on mutual trust and does not require certification.

57. Though improvements particularly in rural infrastructure have been impressive, access to the market, among other issues, is still a problem for smallholder farmers, in particular those in remote and mountainous areas. Furthermore, the cold chain system is at an early stage of development, and therefore relatively smaller shares of total marketed production passes through the cold chain system (5 per cent of vegetables, 15 per cent of meat and 23 per cent of seafood).

58. **Food safety and certification.** In recent years, food safety has become an issue. As from 2003, the Government developed a system for Good Agricultural Practices (GAP) and in 2006, a "Good Agricultural Practices Certification Implementation Rules (Trial)" was issued. Today China has three certification standards for agricultural produce, organic food, green food and pollution-free food. The certificate of green food and pollution-free food is under the supervision of the MOA, while certification and supervision of organic food is under the State Environment Protection Administration.

59. **Agricultural research and extension.** Chinese agricultural research has been a driving force in agricultural development and rural poverty reduction. The research system has advanced capacity and significant resources and comprises agricultural academies and agricultural universities/colleges at the central and local levels. Chinese farmers obtain new technologies and knowledge from a variety of sources, including neighbours, the television, the input suppliers and large buyers, and the agricultural extension services of the MOA as well as the technical envoy system under the MOST.

60. In the local departments and bureaus of agriculture, there are today some 700,000 agricultural extensionists, covering different subject matters and providing free services to the farmers. The system prioritizes food security while niche production, e.g. in mountain areas, receives relatively limited attention. Focus is on the 800 counties located in plain areas, defined as the main grain production base, producing 80 per cent of commercial grains. As under the planning economy, the system is still oriented towards production and supply, giving modest consideration to economics, markets and demand.

61. In 2003, MOST started a process to pilot and upscale the technical envoy system, a successful innovation introduced in 1999 in Nanping City of Fujian Province. The system has since then achieved nationwide coverage and in 2012 it comprised

240,000 technical envoys. The development of the technical envoy system illustrates how an innovation emerges, is piloted, modified and further refined, and scaled up across provincial borders and to other countries (see box 1). The technical envoys are recruited from provincial research institutes and agricultural universities, local technical institutions and other governmental agencies, or they may be advanced farmers ("farmer technicians") from outside or within the locality where they serve. Once recruited, the technical envoy has to stay at the village for a certain period during which he/she gets leave but no salary from his/her institution of origin. Compared to the traditional extension system, the technical envoy system is more oriented towards niche production, market and demand.

62. The technical envoy services may be organized and financed in different ways. There are services without payment, based on contracts with farmers to clarify their mutual responsibilities and benefits; and there are contracts with a negotiated fee, often linked to achievement of defined targets, e.g. achieving a defined increase in sales revenue. In some cases, the main service of the technical envoy is to help farmers access markets and there are also cases where the technical envoy and farmers make a joint venture, with the technical envoy contributing capital as well as technology.

63. Sponsored by the MOA, and founded in 1980, the China Agricultural Broadcasting and Television School (CABTS) has been offering farmers a variety of courses and degrees in the field of agriculture, animal husbandry, fisheries and rural development through radio and TV. Farmers can follow the courses on TV or radio, take course exams at the county level when they are ready, and when they complete all required courses in a particular field, they receive a degree which is recognized by colleges and universities throughout the country. Many of the participants have become demonstration farmers, grassroots leaders and township and village agricultural extension agents. The CABTS system has made and is making a significant contribution to agricultural and rural development.

64. **Rural finance.** The rural finance system of China has been reformed and reconstructed in alignment with the prevailing development priorities and policies of the Government. Since the early 2000s, when the Government started paying increased attention to the *San Nong* issues, the rural finance sector has experienced a period of expansion and diversification, both in terms of financial services in support of *San Nong* with government subsidy and commercial institutions seeking greater investment profits and returns in rural areas. The rural credit cooperatives (RCCs), the main rural financial institutions with extensive network at township level, have undergone major reforms and restructuring to reinforce its focus on better serving the rural households. The Postal Savings Bank of China (PSBC), established on the basis of the former Postal Savings and Remittance Bureau, entered rural finance in 2007, aiming at redirecting investment capital back into rural areas. The Government's poverty alleviation programme administered by the Agricultural Bank of China through the local Poverty Alleviation Offices has continued and expanded. Meanwhile, new types of rural financial institutions have also emerged, including the private village and township banks (VTBs) piloted by the China Banking Regulatory Commission in 2006 and the microcredit companies (MCCs) introduced by the People's Bank of China in 2008.

65. By the end of 2010, only 2,312 towns were without financial institutions (6.5 per cent of the total number of China's towns). According to one estimate, the total number of MCCs has reached 8,127 and has provided loans to the tune of US$137 billion to boost China's vast rural economy. The number of VTBs has also increased rapidly. However, inadequate rural financial services in less developed areas are still a very prominent problem. Poor households have limited access while better-off commercial farmers, in particular the young, find it difficult to access medium- to long-term credit for investments due to the lack of collateral.

Arable land rented by the farmers is collectively owned and thus cannot be used for collateral purpose.

66. China maintains a high savings rate (over 30 per cent) among households, including rural households. Household savings income has doubled from 15 per cent of disposal income in 1990 to about 30 per cent in 2010. However, a significant part of the rural savings captured by the banking industry is not re-invested in rural areas, but instead invested in the urban services and industry sectors where returns are higher. Recently a Rural Finance Reform Leading Group has been established to explore, amongst other matters, how to promote local investment of more rural savings.

C. Public policies and programmes for rural poverty reduction and donor assistance

Rural development policies and programmes

67. China's policy framework for agriculture and rural poverty reduction has three important features. First, the framework is under constant innovation and development through piloting on a small scale and then scaling up what has worked well, following the famous statement by the former leader Deng Xiaoping: "crossing the river by touching the stones". Second, policies are adequately backed up with compatible financial resource allocations and often implemented at a fast pace. And third, the overall underlying philosophy is that, similar to their urban counterparts, people in the rural areas are seen as citizens – not merely "poor peasants" – and are entitled to have equal access to electricity, water, satellite television, pension, and health and educational services.

68. **National policy documents.** The country's poverty reduction efforts are guided by national policy documents issued jointly by the Central Committee of Communist Party of China (CPC) and the State Council. Every year since 2004, the Central Government has released a policy document on agriculture and rural development (also covering rural poverty reduction). Since chronologically this has always been the first national policy document issued at the beginning of the year, it is widely known as "Central Government Document No. 1" or simply "Document No. 1". The very first Document No. 1 in 2004 was on "*San Nong*" or " Three Rural Issues ", namely: "agriculture" (*nong ye*), "farmers" (*nong min*) and "rural areas" (*nong cun*). From 2004 to 2013, a total of 10 such document No. 1 have been issued. Under the overarching topic of *San Nong*, each Document No. 1 has a specific focus or theme, such as food security, enhanced grain production, agricultural modernization and industrialization, etc.

69. In 2001, the Government formulated the "Outline for Poverty Reduction and Development of China's Rural Areas (2001-2010)". It set out the overall goal of accelerating the pace of eradicating absolute poverty and creating the conditions for livelihood sustainability in the poverty-stricken areas. To achieve this, three poverty reduction strategies (models) were outlined: "the whole village approach", "poverty alleviation through agro-industrialization", and "relocation of poverty-stricken farmers" (see paragraphs 71-73 below). These models have been maintained in the second Outline covering the 2011-2020 period, which defines a new national poverty line of CNY 2,300 annual per capita income, equivalent to US$1 per day standard. Though the new defined poverty line has not reached the US$1.25 per day, it almost doubles the previous poverty line. Using this new poverty line, the number of rural poor is estimated at 128 million (2011). Geographically, the Outline has identified 14 contiguous areas[30] (crossing provincial

[30] Liupan Mountain area, Qinba Mountain area, Wuling Mountain area, Wumeng Mountain area, rocky desertification areas in Yunnan, Guizhou and Guangxi provinces, mountainous border areas in western Yunnan, the south of Greater Khingan Mountains, Yanshan Mountain-Taihang Mountain area, Lyliang Mountain area, Dabie Mountain area, and Luoxiao Mountain area as well as Tibet, Tibetan ethnic areas in Sichuan, Yunnan, Gansu and Qinghai provinces and Kashgar, Hotan and Kezilesu Kirgiz Autonomous Prefecture of Xinjiang.

borders) and the former CPC revolutionary bases as the focus areas for the national poverty reduction programme. Three target groups are the priorities of support, including: ethnic minorities, women and children, and the disabled.

70. The instrument for operationalizing the policy directions of Document No. 1 and the Outline is the five-year plans, which are a series of social and economic development initiatives. The current Twelfth Five-Year Plan (2011-2015) aims at achieving the goals of addressing rising inequality and creating an environment for more sustainable growth by prioritizing more equitable wealth distribution, increased domestic consumption, and improved social infrastructure and social safety nets.

71. **"The whole village approach"** provides, within a short period of time, a large, coordinated investment in infrastructure, social service facilities, and farm and off-farm production in targeting villages. The objective is to achieve a rapid and comprehensive improvement in the living and production conditions of the village as a whole. Funds are mainly from the Government, and each village receives financial support on average of CNY 600,000 from central and provincial governments.[31] By the end of 2010, a total amount of 126,000 villages had been supported under this model.[32] According to quantitative research,[33] this approach tends to be more effective than the two models mentioned below, as it can achieve high poverty reduction impact at relatively low investment per household.

72. **"Poverty alleviation through agro-industrialization"** promotes win-win situations and partnerships between farmer households and enterprises, by providing incentives to encourage the participation of leading enterprises (normally the so-called "dragonhead enterprises") as well as for development of operational mechanisms. These arrangements are supported by policies for (subsidized) poverty reduction credit, preferential tax facilities, land use and social services. Under this model, some of China's poor areas have successfully promoted commercialization and/or industrialization of agriculture, involving products such as potato, fruits and cotton, as well as pasture-based animal husbandry.

73. "**Relocation of poverty-stricken farmers"**, also known as the "model of voluntary migration for poverty alleviation", was first introduced in western China in 1983. This model is targeted at two types of areas: areas with extremely harsh living conditions that do not support a minimum level of decent livelihoods; and remote areas where there is no possibility of establishing proper infrastructure and social services. Households in these areas are re-located to towns and villages where their livelihoods can be sustained. By the end of 2010, some 7.7 million households had been relocated, through large Government investments in houses, roads, electricity, etc.[34]

74. **Complementary support** to the above models is provided in a variety of ways. Food-for-work is provided to improve farm and village infrastructure in the poor areas. Under the "Dew Programme", support is provided to promote employment of the rural poor. As part of the support, allowances are provided by the Government to encourage the participation of poor rural women and men in job-oriented and vocational training, including living allowances and financing of transportation costs when they participate. Development of rural infrastructure is supported by the "*Cuncun Tong*" (connecting every village) Project, aiming at providing every village with access to roads, electric power, drinking water, radio and television, telephone

[31] Shuai Chuanmin, 2010. *Research on Poverty Alleviation and Development Models and Efficiency in Rural China* Beijing: People's Press.
[32] The State Council of China .*New Development of Poverty Alleviation and Development in Rural China*. White Paper.16 November 2011. Available on http://news.xinhuanet.com/2011-11/16/c_111171617.htm.
[33] Shuai Chuanmin 2010.*Research on Poverty Alleviation and Development Models and Efficiency in Rural China*. Beijing: People's Press.
[34] The State Council of China. *New Development of Poverty Alleviation and Development in Rural China*. 16 November, 2011. Available on http://news.xinhuanet.com/2011-11/16/c_111171617.htm.

and Internet, etc. The project began in 1998 and will last until 2020, with a total investment budget of over CNY 1 trillion, equivalent to about US$150 billion (see annex VIII).

75. After the abolition of the communes, villages and their leadership are considered grass-roots organizations, outside of the government structure. It has been usual practice, however, for local government to provide salaries and pensions for the village leadership, which normally comprises four members: village head, secretary of the CPC village committee, accountant and the militia commander. Each member receives a monthly payment of CNY 600–1,000 from the governments and if they serve in village leadership positions continuously, which normally comprises for more than 10 years, they are eligible for pensions at retirement. The financial incentives provided by the local governments contribute significantly to the stability of village leadership, which has been proven to have a very positive impact on sustainable village development, including poverty reduction efforts.

76. **Agricultural subsidies** have increased rapidly, from an insignificant level in 2002 to more than CNY 150 billion (about US$25 billion) in 2012. Input subsidies take the largest share and subsidies for agricultural machinery (tractors, power tillers etc.) are increasing rapidly, reflecting the Government's increased focus on land consolidation and agricultural industrialization. In addition to the four agricultural subsidies,[35] there are other subsidies for farm households, credit and insurance (see annex VIII).

77. Market price support, in the form of state-guaranteed prices on rice and wheat, is generally more important for farmers than direct transfers that subsidize the local budget. The Government guarantees minimum prices through state procurement and pricing; most often this Government scheme has enabled farmers to obtain a price that is above the market price. According to the World Bank estimate,[36] the value of this higher price constituted about 10 per cent of gross farm receipts in 2010, whereas subsidy transfers constituted 7 per cent.

78. Agricultural insurance: In many areas, farmers are struggling with extreme weather conditions (e.g. floods, droughts, earthquakes) and may in a bad season fall back into poverty. In 2007, the Central Government introduced a pilot project on agricultural insurance, under which the Government provided subsidies for insurance premiums. The pilot has been gradually scaled up, in terms of geographic coverage and products. The Government has also increased the premium subsidies. At present, there are a total of 15 agri-insurance products under the premium subsidy programme, covering the major agricultural and livestock products that are important to people's livelihood and food security.

79. Over the period from 2007 to 2011, the Government provided a total of CNY 26.5 billion as premium subsidies. During this period, more than 70 million farmers received insurance indemnity. The "Agricultural Insurance Regulation", issued by the State Council in November 2012, defines the Government's policy framework for the agricultural insurance business. The Regulation is considered a major milestone in further developing agricultural insurance in the country.

80. **Social welfare programmes.** In 2003, the Government introduced a New Rural Cooperative Medical System, with the particular objective of making the medical treatment more affordable for the rural poor, based on joint contributions of the Government and individuals. Initially, the Central Government and the provincial government each paid CNY 20 per person per year while the insured farmer paid an annual "premium" of CNY 10. Over the years the amounts have increased, and by 2012, central and local governments provided CNY 240 per person per year while the insured farmer provided CNY 60 per year. If the farmer is hospitalized,

[35] Information for these four types of agricultural subsidies could be found in annex VIII.
[36] Luc Christiaensen, 2012. *Food, Farms and Fields in China 2030: The Role of Agriculture in a Modernizing Society*. Wangshington DC: World Bank

the scheme will cover more than 75 per cent of total bills. By the end of 2012, over 95 per cent of all rural residents had joined the scheme.

81. In 2009, the State Council announced a tail pension plan, i.e. the New Rural Pension Insurance Scheme (NRPIS), in which the payment for insurance comprised of payments from the farmers topped up with Government subsidies. By participating in this NRPIS, farmers over the age of 60 will be able to receive a monthly endowment of varying amounts according to the average income standards of respective regions. As stated in the 2013 Report on the Work of the Government, the coverage of all sorts of pension insurance programmes, urban as well as rural, had reached 790 million people by the end of 2012 (about 59 per cent of the total population).

82. **Overall financial support for *San Nong*** amounted to an accumulated value of CNY 6 trillion (about US$860 billion) over the period 2003-2012. Central government financing for *San Nong* increased by an average annual rate of 21 per cent, from CNY 214 billion in 2003 to CNY 1.2 trillion in 2012.Financing for *San Nong* increased from 13.7 per cent of the total national budget in 2003 to 19.2 per cent in 2012.[37]

Development cooperation and donor assistance

83. Official Development Assistance (ODA) played a recognized role in China's early development stages since the launch of the economic reform and opening up in 1978. In terms of gross ODA during 2010-2011, the first four places are occupied by Japan, Germany, France and the United Kingdom. As some providers of soft loans (recorded as ODA) have converted to market terms, scaled down or stopped their lending, repayments exceed loan disbursement and net ODA flows have become negative whereas net private flows are close to US$50 billion (see table 5). The World Bank and the Asian Development Bank (ADB) remain major providers of development finance on market (IBRD) terms, which is not recorded as ODA.

Table 5
Net flows of Official Development Assistance (ODA)
(Millions of United States dollars)

Sector	*2008*	*2009*	*2010*	*2011*
Net ODA	1 480	1 129	648	-796
Net private flows	29 841	14 022	46 482	49,438

Sources: OECD, World Bank.

84. In its current Country Partnership Strategy (CPS for FY2013-FY2016),[38] the World Bank Group plans to provide IBRD lending of about US$1.5 billion per year, while the International Finance Corporation (IFC) will invest in the range of US$500-1,000 million per year. Financing through trust funds is projected to remain substantial; commitments amounted to US$1.8 billion by mid-2012 of which more than 90 per cent comprises the Global Environmental Facility, the Montreal Protocol and carbon finance. The Bank's substantial analytical and advisory activities, which have inter alia contributed to the strategy document *China 2030*, will be further expanded.

85. The CPS defines three strategic thrusts: (i) greener growth, including sustainable agriculture and natural resource management; (ii) inclusive development, including enhancing opportunities in rural areas and small towns; and (iii) advancing mutually beneficial relations with the world, including support for China's South-South cooperation.

[37] Data retrieved from the official website of the central Government of China. Available on : http://www.gov.cn/jrzg/2012-10/29/content_2252847.htm.
[38] World Bank. 2012. *China - Country partnership strategy for the period FY13-FY16*. Washington DC : World Bank.

86. In spite of its large financial resource envelope, the CPS highlights that "the Group's most valuable contribution in China remains its role in bringing and applying ideas, innovation and knowledge". This is echoed in the Group's 2012 China Survey where 500 of the Group's stakeholders were invited to give their opinions. By contrast, in 2006 the stakeholders valued the Bank's financial resources highest.

87. Since the start of its cooperation with China in 1986, the ADB has provided US$26.3 billion in public sector loans and US$3.5 billion in private sector operations. In 2012, ADB approved US$1.47 billion in sovereign loans, US$339 million in private sector operations and US$20.2 million in technical assistance. About 10 per cent of past lending has been on agriculture and natural resources, which is expected to receive 15 per cent of the US$4.2 billion lending pipeline for 2013-2015. The primary focus of ADB's assistance in China has been and is on transport and information and communication technology (ICT), which received close to 50 per cent of past lending.

88. ADB's project evaluations find that 70 per cent of projects in "agriculture and natural resources" are successful. This compares well with the success rate in other market-based sectors, "finance" (67 per cent) and "industry and trade" (60 per cent) but is much lower than the success rate in the infrastructure sectors, "energy" (95 per cent) and "transport and ICT" sectors (96 per cent).

Key points

- China's economy has maintained an average annual GDP growth of 9.8 per cent since the launch of economic reform and opening up in 1978. According to the World Bank, China is classified as an upper-middle-income-country, with GNI per capita US$6,560 (2013).
- Benefiting from the high economic growth has lifted more than 600 million people out of poverty in China. While abject poverty has been mostly eradicated, 82.5 million rural people still live under the national poverty line.
- High economic growth was accompanied by environmental damages and increased inequality which Government's new policies are addressing by prioritizing quality growth.
- Agriculture constitutes about 10 per cent of the GDP (2013). Aside from early 1980s, economic growth has been led by industrial exports and investments in infrastructure, fuelled by cheap rural labour. Today the pool of cheap labour and the total labour force has decreased.
- Agricultural development and poverty reduction have been on the top of Government's development agenda. Over the years, national policies backed with a large amount of government subsidies have been introduced by the Government to promote the livelihood of rural people.
- In spite of these support programmes, the gap between rural and urban incomes has increased. Small farm units to a large extent limit agricultural labour productivity; however, the changed socioeconomic landscape in rural areas (e.g. migration) lead to the trend of land consolidation.

III. IFAD country strategy and operations

A. Country strategy

89. In the initial period from 1981-1987, the overarching theme of IFAD operations was food security for rural areas and poor householders. Building on the experience of the five early projects, the first country strategy in China was developed based on ground experience and was updated and revised on several occasions.

90. Over the evaluated period, IFAD issued three COSOPs, respectively in 1999, 2005 and 2011. The first two were prepared under the old guidelines and entitled papers

instead of programmes, while the 2011 COSOP was prepared following the guidelines for results-based (RB-COSOPs introduced in 2006. However, the 2005 COSOP was close to a RB-COSOP with a logical framework and a Results and Impact Management System (RIMS). An overview of the main objectives and priorities of the three COSOPs, as well as Government's main policy/strategy documents is presented in annex XI.

91. **Targeting the poor.** All three COSOPs target the rural poor, giving special priority to more remote areas, ethnic minorities and inclusion of women. The 1999 COSOP, prepared at a time where food security was of concern in some areas, has special focus on food security but gives also attention to vulnerable households with high risk of falling back into poverty. It uses the Food and Agriculture Organization of the United Nations (FAO)/WFP-developed Vulnerability Analysis and Mapping (VAM) tool for selection of project areas, leaving it to village implementation groups (VIGs) to select individual household beneficiaries. The COSOP highlights that if poverty reduction trends continue, poverty will increasingly be concentrated in remote mountainous areas. The 2005 COSOP continues this strategy and highlights that mountainous areas of the western and central regions have the highest poverty incidence and that specific approaches and policies are required in these areas due to the fragility of natural resources and the heavy weight of ethnic minorities in total poverty.

92. The 2011 COSOP recognizes the impressive achievements in eradicating food insecurity and extreme poverty while highlighting the challenge of the transient form of poverty (people falling in and out) and the additional burdens on women due to outmigration of men. It defines IFAD's target groups as being economically active, with capacity to exploit economic opportunities, and living in the poorest provinces, border areas and for revolutionary bases, which are typically remote mountainous and hilly areas in the central and western regions. The COSOP states that IFAD will follow the Government's geographic targeting strategy.

93. **The 1999 COSOP** (1999-2004) was essentially a joint IFAD/WFP strategy which covered the programme cycle of 1999-2004. It reflected the close cooperation between the two partners during 1996-2005 which was assessed to provide important synergies, where IFAD benefited from sharing project design costs with WFP and the logistics of the WFP country office, while WFP benefitted from the financial analysis of project proposals following IFAD's approach. The partnership also allowed a focus on "hard-core poverty areas and pockets". WFP food aid, for infrastructure works and training, ensured immediate improvement of food security among food-deficit households whereas IFAD's support for agricultural productivity and credit gradually improved the households' food self-sufficiency, allowing the households to use credit for cash-generating activities to further build up their assets. It was argued that credit alone would not have been able to achieve this since households with food deficit would mainly have used the credit to buy food.

94. In the area of rural finance, the strategy of the 1999 COSOP was to abandon credit provision managed by project management offices (PMOs), considered an unsustainable setup and against good international practice. Instead, the RCCs would be the main partner for IFAD's rural finance support, where IFAD would work with the RCCs to demonstrate that financial services to poor households are good business. At the time, MOF (and provincial financial departments) added interest margins and exchange rate premiums on IFAD resources on their way to the RCCs and combined with an interest rate cap, this was a major constraint on delivering credit to the poor through the RCCs. The COSOP highlighted this as a major issue for policy dialogue, and in July 2002, Government agreed to provide IFAD resources directly to RCCs on IFAD terms (in 2013, the interest rate caps were relaxed).

95. The 1999 COSOP also highlighted innovations to be piloted in rural finance, including guarantee funds, and for the purpose of expanding microfinance, the COSOP outlined a public-private partnership based on a memorandum of understanding with Monsanto and possibly also with Rabobank and the Case Corporation. With some delay, the idea of establishing a loan guarantee facility to leverage credit funds from participating banks has been developed in the design of the most recent approved project, i.e. SSADEP.

96. In the agriculture area, the 1999 COSOP raised concerns about official prescriptions for intensive use of fertilizers and pesticides, and the relevance of these prescriptions in remote, largely subsistence farming areas. Referring to the rich experiences in China with organic farming, the COSOP outlines a strategy to pilot and demonstrate organic farming practices for further extension and scaling up.

97. The 1999 COSOP highlights the plans for raising grant resources to finance "soft" activities such as VAM,[39] PRA training and methodology development, applied research on organic farming, and studies of issues related to gender and water availability as well as market studies and surveys.

Table 6
Projects approved within the 1999 COSOP
(Millions of United States dollars)

Project title	*Total cost*	*IFAD financing*
Qinling Mountain Area Poverty Alleviation Project	106.4	29.0
West Guangxi Poverty-Alleviation Project	107.0	30.4
Environment Conservation and Poverty Reduction Programme in Ningxia and Shanxi	90.3	29.0
Rural Finance Sector Programme	21.3	14.7
South Gansu Poverty Reduction Programme	80.6	29.3

98. The 2005 COSOP (2005-2010) was considered by the Executive Board in December 2005. It was formulated under a different context, following five years of notable economic growth. Since 2005, the Government decided to stop receiving WFP support, considering China's successful advances in ensuring food security, and instead of being a recipient of WFP food aid, China became a donor to WFP. The 2005 COSOP placed even greater emphasis on targeting marginal areas through two new strategic thrusts: improving access and innovation. "The Fund will promote women's and men's access to information and knowledge, to natural resources and their sustainable use, to appropriate financial services and remunerative and premium quality markets". With respect to innovation, it is highlighted that "the Fund's niche is defined by emphasizing its catalytic role and developing innovative, strategic pilot programmes with governments and other donors for scaling up."

99. The 2005 COSOP gives special attention to rural finance, agricultural production (organic farming and natural resource management), demand-driven models for technology transfer and agricultural marketing. It emphasizes that support should be driven by farmers' needs and market demand. The technical envoy approach, introduced by MOST, will be supported and scaled up by IFAD through the inclusion of non-farm economic activities and the strengthening of the gender focus. Furthermore, it is proposed to develop a pipeline of strategic sector programmes

[39] The VAM exercise was developed in two phases: (a) starting with a provincial level analysis based on 12 risk factors, each consisting of a number of indicators related to natural calamities, productive capacity, health and nutrition status; and then followed by (b) a county level analysis based on 16 food production related indicators. The combined outcome of the phases was then compared with the list of poverty-stricken countries produced by the Poverty Alleviation Group, showing a strong convergence.

that follow IFAD's strategic thrusts in order to promote the access of the rural poor to innovative rural development approaches.

Table 7
Projects approved within 2005 COSOP
(Millions of United States dollars)

Project title	*Total cost*	*IFAD loan financing*
Xinjiang Uygur Autonomous Region Modular Rural Development Programme	55.1	25.1
Inner Mongolia Autonomous Regional Rural Advancement Programme	70.9	30.0
Dabieshan Area Poverty Reduction Programme	70.9	31.9
Sichuan Post-earthquake Agriculture Rehabilitation Project	77.0	30.5

100. The 2011 COSOP is aligned to the Government's 12th five-year plan (2011-2015) as well as the Rural Poverty Reduction Strategy for 2011-2020. The broad strategic thrusts of the 2005 COSOP has been maintained under the 2011 results-based COSOP and specific opportunities were indicated for pursuing innovation and scaling up. It addresses issues such as sustainable using of natural resources, expanding rural cooperatives, and facilitating South-South cooperation, and it defines three related strategic objectives:

(a) The rural poor in targeted areas sustainably use enhanced productive natural and economic assets, and improved technology and advisory services;

(b) The rural poor and their organizations are enabled to take advantage of improved market access and financial services for increased income generation and enhanced resilience to risks;

(c) Enhanced South-South cooperation and knowledge management provide opportunities for sharing knowledge generated from innovations and scaling up good practices. For this purpose, the COSOP emphasizes knowledge management, including monitoring and evaluation (M&E).

101. Whereas the focus areas for support continue to be agriculture, marketing and rural finance, the COSOP includes support for improving community-level infrastructure and facilities but with the following qualification:" IFAD's true value added will not be the quantity of civil works it finances, but the innovations it supports for the sustainable management and maintenance of the infrastructures, facilities and services established". Finally, the COSOP introduces as a new support priority the development of rural farm and non-farm micro and small enterprises (MSEs) for employment and income generation in rural areas. "IFAD will seek to share its knowledge and experience in support of the rural MSEs and support private entrepreneurship."

Table 8
Projects approved within 2011 COSOP
(Millions of United States dollars)

Project title	*Total cost*	*IFAD loan financing*
Guangxi Integrated Agricultural Development Project	96.9	47.0
Hunan Agricultural and Rural Infrastructure Improvement Project	93.2	47.0
Yunnan Agricultural and Rural Improvement Project	94.0	46.7
Shiyan Smallholder Agribusiness Development Project	116.9	43.8

102. Aside from the project/programme related activities, the three COSOPs provided an overview of IFAD's non-lending activities, with particular attention to identify opportunities for widening partnership with in-country stakeholders and areas for knowledge sharing and policy dialogue. Table 9 summarizes the main elements of the three China COSOPs developed so far. Though the principal elements of the three COSOPs have been continuously updated in response to the notable changes throughout the macroeconomic reform process, the basic framework has been concentrated in the rural poverty alleviation endeavour.

103. In terms of partnership, the COSOPs emphasized the importance of strengthening coordination with Government institutions, bilateral/multilateral development donors, NGOs and the private sector. Both the 1999 COSOP and the 2005 COSOP outlined specific potential partners in the country. However, no reference was made to FAO in either strategy. Attention was also devoted to the partnership with the private sector. With an understanding of the primarily profit-based interest of the private sector for collaboration (as stated in the 1999 strategy), the 2005 COSOP indicated the important role of the private sector in promoting rural development in areas such as market linkages, food processing and trade, microfinance, rural enterprises and cooperatives development.

Table 9
Summary description of the three COSOPs for China

PRINCIPLE ELEMENTS	*COSOP 1999*	*COSOP 2005*	*COSOP 2011*
Overall goal/Strategic objective	• To increase food security of poor households in marginal areas on a sustainable basis	• To test innovative approaches to poverty reduction that can be replicated and scaled up by Government and other donors	• The rural poor in targeted areas sustainably use enhanced productive natural and economic assets and improved technology and advisory services in a changing environment and market conditions; • The rural poor and their organizations are enabled to take advantage of improved market access and financial services for increased income generation and enhanced resilience to risks; and • Enhanced South-South cooperation and knowledge management provide opportunities for sharing knowledge generated through innovation and the scaling up of good practices in rural development.
Major strategic thrusts	• Enhance infrastructure for agricultural production • Provide technical support and training • Improve access to health and education facilities • Create easier access to credit for productive activities	• Access: Promote access to information and knowledge, natural resources, financial services and markets • Innovation: Develop innovative pilot programme with potential to be scaled up	• Natural resources management within the context of climate change • Gender mainstreaming development and policy dialogue • Support for decentralization towards farmers' organizations or cooperatives • Pursuit of innovation and scaling up of the best practices • Adoption of the IFAD knowledge management agenda

PRINCIPLE ELEMENTS	*COSOP 1999*	*COSOP 2005*	*COSOP 2011*
Geographic priority	• Centre-north and south-west, with the nine most vulnerable provinces and autonomous regions including: Yunnan, Qinghai, Xinjiang, Hainna, Shaanxi, Ningxia, Gansu, Sichuan and Tibet and the three provinces with the largest pockets of poverty: Anhui, Guizhou and Hubei	• Not explicitly articulated, but can be discerned based on the projects launched under the strategic vision of the COSOP: Xinjiang Uygur Autonomous Region, Inner Mongolia Autonomous Region, and Dabieshan Area. In addition, one project on post-earthquake agricultural rehabilitation was funded in Sichuan under the COSOP.	• Broadly in poorest provinces, border areas, ethnic minority areas and former revolutionary bases, which are typically remote mountainous and hilly areas in the central and western provinces.
Subsector focus	• Rural infrastructure • Microfinance and income generation • Empowerment, social capital and institution building • Sustainable agriculture development	• Microfinance and microenterprises development • Sustainable agriculture development (e.g. organic farming) • Natural resources management • Market linkages and access • Gender mainstreaming • Technology transfer	• Adoption of advanced agricultural techniques • Rural infrastructure improvement • Natural resources management and climate change • Social capacity and institution building • Private sector development and market linkage enhancement • Knowledge management and South-South cooperation
Main partner institutions	• Ministry of Agriculture • The State Council Leading Group Office of Poverty Alleviation and Development (LGOP) • Local government departments and agencies • World Food Programme and United Nations Office for Project Services • NGOs (e.g. All China Women's Federation) and private sector (e.g. RCCs).	• Ministry of Finance • LGOP • China Banking Regulatory Commission • Ministry of Agriculture • Ministry of Science and Technology • All China Women's Federation • Global Environment Facility	• Ministry of Finance • National Development and Reform Commission • Ministry of Agriculture • LGOP • Ministry of Science and Technology • All China Women's Federation
Target groups	• Not explicitly articulated, but the selection will use the VAM at township and village level.	• Rural households living in remote and mountainous areas in western and central regions.	• Rural poor living in remote mountainous and hilly areas. Special attention to ethnic minorities and women.

PRINCIPLE ELEMENTS	*COSOP 1999*	*COSOP 2005*	*COSOP 2011*
Non-lending activities	• Four areas for policy dialogue identified: poverty alleviation; rural microfinance, management and lending approach • Promote partnership building with NGOs, other bilateral/multilateral donors and private sector	• Promoting policy dialogue through organization of regular workshops • Policies issues identified for further improvement: land access, gender balance, availability and coverage of social and financial services, legal framework for gross-root organizations and marketing • Knowledge management • Partnership building	• Promote policy linkage through coordination with central and provincial governments • Strengthen partnership with Government partner agencies, donor agencies, private sector and civil society organizations • Knowledge management and communication
Country programme funding	• Total lending of US$132.3 million approved during the COSOP period.[a] No specific budget defined in COSOP for grants and non-lending activities.	• Total lending of US$117.5 million approved during the COSOP period. No specific budget defined in COSOP for grants and non-lending activities.	• The 2011 COSOP spans two PBAS (performance-based allocation system) cycles 2010-2012 and 2013-2015. The indicative total country allocation available at the time of COSOP writing amounts to US$141 million (under the 2010-2012 cycle). No specific budget defined in COSOP for grants and non-lending activities.
Country programme and COSOP management[b]	• CPM and programme assistant based in Rome, supported by a national country programme facilitator in Beijing. In all cases, projects were supervised by cooperating institution (UNOPS).	• CPM and programme assistant based in Rome, supported by a national presence officer in Beijing since 2005.	• CPM and programme assistant based in Rome, supported by IFAD country office in Beijing (with one country programme officer and two associate programme officers). Supervision directly carried out by CPM and ICO.

[a] This figure is calculated based on the data from 1999 COSOP, as there is no reference to lending volumes in the 1999 document.
[b] COSOP management was not explicitly described in the 1999 COSOP and 2005 COSOP, as it is a feature of the results-based COSOP format adopted by the Executive Board in September 2006.

B. IFAD-supported operations

104. **Portfolio features.** Over the period 1999-2013 covered by the CPE, IFAD approved loans and financial support for 13 projects, executed by the Government of China. Total project cost amounted to US$1.08billion, of which the IFAD loans financed 40.5 per cent (US$434 million in nominal value). The projects are generally characterized by providing support for area-based integrated rural development projects, with two exceptions or outliers, i.e. the Rural Finance Sector Programme (RFSP) and the Sichuan Post-Earthquake Agriculture Rehabilitation Project (SPEARP). RFSP worked on national policies and regulations, and supported selected RCCs while SPEARP provided three-year support for reconstruction of household biogas systems and rehabilitation and development of agricultural services, following the 2008 earthquake in Sichuan province. The 10 area-based rural development projects have common features, but three different types of design can be distinguished, as summarized below. An overview of the subsectors and themes supported by the 12 projects is provided in annex X.

105. **Category 1 – the IFAD-WFP period.** During 1996-2005, all IFAD projects (with exception of RFSP) were cofinanced by WFP, which provided food-for-works (rural infrastructure) and food-for-training (capacity building of the poor). This also applies to the South Gansu Poverty Reduction Programme (SGPRP) though WFP assistance ended before the IFAD loan became effective.

106. Projects 1-3 (QMAPAP, WGPAP, ECPRPNS) and 5 (SGPRP) belong to this category and have a comprehensive support menu, including rural finance, infrastructure (roads, drinking water), agriculture (farm infrastructure and extension), environmental management, agricultural marketing, primary health and education, and vocational/skills training (see annex X). From this category, the projects in South Gansu (SGPRP) and West Guangxi (WGPAP) are by the partners considered the stars in the portfolio, partly thanks to efficient project management organizations.

107. The synergy with WFP allowed the projects to reach out to food insecure households, and fund social and economic infrastructure (food-for-work) and capacity development (food-for-training). Social services such as primary health and education were supported but also commercial agriculture and rural finance (RCCs and women's federation credit schemes). The proceeds of IFAD loans mainly went for rural finance and agricultural development. Targeting used the WFP/FAO-developed VAM and participatory planning and VIGs were introduced and have been continued since then.

108. The 1999 COSOP provides the strategic frame and justification for this type of support: "The combination of WFP Food Aid on grant basis, IFAD funds as loans and government counterpart funds mainly as grants enables the implementation of an integrated rural development approach to underpin sustainable poverty alleviation in remote and marginal geographical areas. Food aid is used to upgrade and expand natural resources through irrigation, drainage and terracing. Microcredit, mainly from IFAD loans, supports productive investments in productivity, crop development and diversification, through better access to inputs and working capital. Food-for-training and grant funding are provided for functional literacy and technical capacity building of the poor to ensure efficient use of the credit funds."

109. **Category 2 – modular approach and 2005 COSOP.** During 2005-2010, projects number 6-9 (XUARMRDP, IMARRAP, Dabieshan Area Poverty Reduction Programme [DAPRP] and SPEARP) were approved with the post-earthquake support (SPEARP) being an outlier. The projects for Xinjiang, Inner Mongolia and Dabieshan are based on the 2005 COSOP, which recognized the end of WFP support and also that Government's general social programmes had reduced the need for IFAD project financing of primary health and education which therefore was not included in the design. There is a concentrated focus on agriculture and for this the modular approach is introduced, with pre-defined modules (poultry, orchard, etc.) where project management is allowed to decide how much of each module to apply, based on demand, but without necessitating a cumbersome redesign process. Experience had indicated that project management often perceived the detailed assumptions of appraisal reports as being detailed targets to be achieved, which tended to constrain flexibility and make implementation supply- rather than demand-driven.

110. Whereas the projects for Xinjiang and Inner Mongolia have similar design and still included rural finance, the subsequent project for Dabieshan excluded rural finance but introduced market access as a key priority.

111. **Category 3 – 2011 COSOP and ordinary terms.** This category includes the four projects for Guangxi, Hunan and Yunnan and Hubei. Focus is on economic infrastructure, commercial agriculture and market access/value chain development, including specialized cooperatives. The major part of the budgets is allocated for infrastructure. Given the ordinary terms, Government had become more reluctant to use loan proceeds for "software" and capacity development, a constraint highlighted in the IFAD Self-Assessment prepared for this CPE. The focus on infrastructure as well as the value chain approach, where it generally is a challenge to include the poorest, creates new challenges: how to include the poor and finance the need for (soft) capacity development of the poor and their organizations?

Climate change and environmental protection (with support of GEF grants) has become a priority, whereas no support is included for rural finance or the partnership role of the WFP, which had been a central element of previous projects. However, the 2011 Country Programme Review suggests that IFAD should explore possibilities for re-engaging in rural finance, which is currently being done by the Country Programme Management Team (CPMT). Rural finance is the only area where IFAD in the past has attempted to seriously engage in policy dialogue at national level, however without achieving the objectives.

C. Country programme management

112. **Organization of project design and implementation.** Once the National Development Reform Commission (NDRC) has identified the province or autonomous region to be covered by the next IFAD-funded project and IFAD, and NDRC and MOF have agreed on the basic project concept, IFAD starts work with the subnational government which often appoints a team to participate in design work together with team of consultants, mainly Chinese, contracted by IFAD.

113. All IFAD-funded projects are implemented through a PMO established at each administrative level. At the country level, the PMOs are self-standing with full time staff exclusively working for the IFAD projects. Usually, it is the provincial Department of Agriculture that has the lead implementation responsibility, while at county level it is the Bureau of Agriculture. The PMOs coordinate between the line agencies that have direct dealings with the project components. This is the management structure of all IFAD projects in China and the system has been committed to achieve results. Apart from the line agencies that are involved with the project activities is the All China Women's Federation (ACWF) that is also involved in all IFAD projects. They manage training, credit and other programmes that target women in IFAD projects. VIGs are also part of the implementation structure of the PMO, who is responsible for drawing up the village development plans (VDPs). In most recent projects as seen in DAPRP, the programme management structure has several levels consisting of a Programme Coordination Office at the provincial level (PPCO), Programme Leading Groups and Management Offices at prefecture and county levels (project leading groups [PLGs] and PMOs), township PMOs and VIGs.

114. **Country presence.** The IFAD China country office was formally set up in Beijing in 2005, following the Field Presence Pilot Programme (FPPP) adopted by the Executive Board in December 2003. The country office has been hosted by the WFP in the United Nations compound in Beijing, given the convenience of location and the reasonable rent and service charge (<US$2,000 per month).

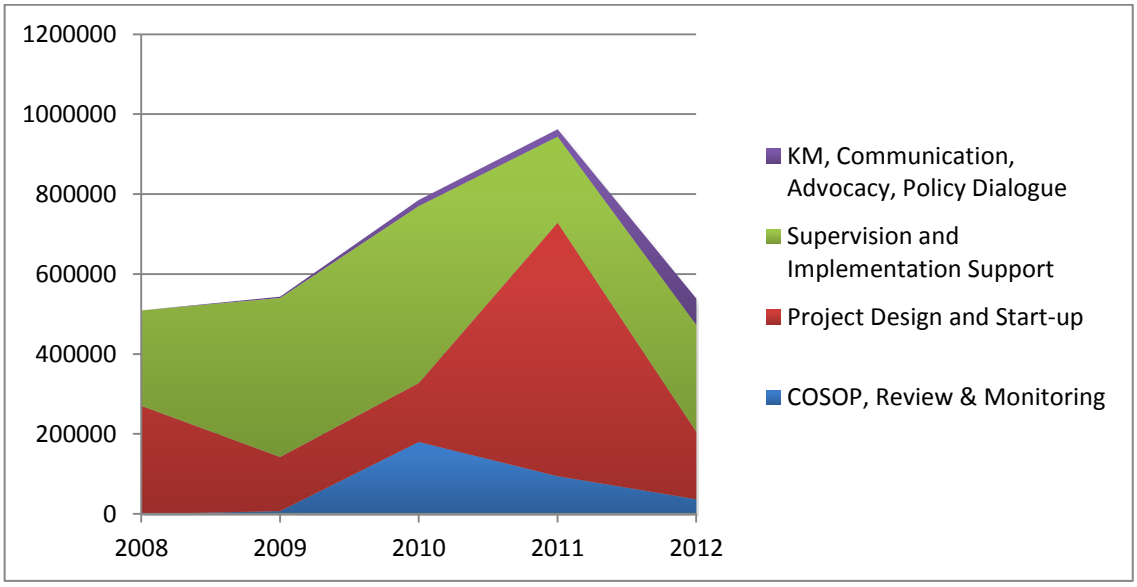
115. China is one of the largest portfolios of IFAD, and locating the CPM in Beijing rather than in Rome would have tremendous advantages, in terms of effectiveness and efficiency gains for both IFAD and the Government. The permanent presence of the CPM in China would be particularly important, especially given the need for increased attention to knowledge management, South-South and triangular cooperation, and scaling up. A CPM based in Beijing could also respond more promptly to implementation issues, and project design and supervision and implementation support costs would be contained.

116. Expenditure for the ICO has increased over the years, from US$97,000 in 2007 to US$265,000 in 2012, mainly because of salary costs, which constituted 62 per cent of the 2012 expenditure. Interpretation/translation services are relatively expensive in China but providing an adequate translation budget for the ICO will generate high returns in terms of improved project implementation and fewer problems that the ICO has to deal with because of lack of versions in Chinese. As mentioned, there is a demand among some PMOs for manuals and software for financial management and procurement, and M&E, in English and Chinese versions.

117. Annual expenditure on country programme management, excluding expenditure on the ICO and HQ salaries, fluctuated during 2008-2012 between US$510,000 and US$963,000, with far the major part spent on (i) project design and start-up; and (ii) supervision and implementation support (see figure 1). Expenditure on non-lending activities jumped to US$66,000 in 2012 from a negligible level. During the period, no expenditure was booked on the budget line "policy dialogue".

118. While the operational budget sets limits on what can be done, a shortage of professional staff resources is assessed as an even more limiting constraint, considering that only four professional staff manages IFAD's second largest programme and there are complexities and challenges specific to the Chinese context. The major part of the time of the CPM and the three ICO staff have been spent on COSOPs, project design and supervision, and implementation support. Fortunately, fiduciary issues are relatively minor in China, allowing the team to focus on technical and strategic issues in their project supervision and implementation support. However, not much time is left for knowledge management, policy dialogue, partnership building including donor coordination, and South-South cooperation, for which the CPM is able allocate an estimated 25 per cent of his time.

Figure 1
Expenditure (US$) on China Programme Management 2008-2012



Source: Data from APR. Notes: Excludes expenditure on ICO and HQ salaries. Supervision and Implementation Support includes midterm reviews and support for project completion.

119. In the CPE Self-Assessment, the CPM states that more strategic staff resources are required to: provide closer implementation support to the projects as well as develop capacity of staff and Chinese consultants in project design and supervision; enhance knowledge management activities; and develop partnerships inside China with relevant government institutions, civil society and aid organizations as well as outside China, e.g. with IFAD's partners in the APR and other regions.

120. The Government, in its Self-Assessment, also requests IFAD to increase staff resources for China country programme management and have one officer in charge of project supervision and management and another with responsibility for policy coordination (supposedly including all non-lending activities). In addition, Government suggests that full authority should be given to the ICO with respect to disbursements in order "to address the problem of slow disbursement." Government has also expressed a keen interest in having the CPM posted in Beijing rather than in Rome, which would enable IFAD to further dialogue with Government and other development partners.

121. Government also suggests that IFAD make more use of country systems. Indeed this would be one way to save IFAD as well as PMO staff time. This CPE finds that IFAD should consider raising the current threshold of US$500,000 for prior review and no objection for contracts to threshold levels similar to those applied by the World Bank and ADB, which would save staff time as well as costs of translating tender documents.

Key points

- During 1999-2013, the partnership was guided by three COSOPs, issued in 1999, 2005 and 2011, with the latter being a results-based COSOP. A common feature is the priority given to remote areas, ethnic minorities, and inclusion of women. While the 1999 COSOP targeted areas with food security problems, by 2005 food security was no longer a major issue.
- The 1999 COSOP was a joint WFP/IFAD strategy reflecting the close cooperation between IFAD and WFP during 1996-2005 where WFP provided food-for-work (rural infrastructure) and food-for-training (capacity development) while IFAD primarily supported rural finance and agricultural services.
- The 2005 COSOP prioritized innovations and helping rural poor access services such as agricultural support and rural finance, with support driven by market demand. The 2011 COSOP reiterated these priorities, emphasising value chain development, and introduced South-South cooperation and knowledge management as new priorities.
- Eleven of the thirteen projects approved during 1999-2013 were area-based rural development projects, however with different menus and strategies. A thematic rural finance project and a project providing rehabilitation support after the 2008 earthquake in Sichuan province were the two outliers.
- Four projects approved during 1999-2005 were designed jointly by WFP and IFAD and had a comprehensive support menu including social services (health, education and training), infrastructure and support for production and rural finance.
- Three projects approved during 2005-2010 focused on agricultural production, introducing a modular approach allowing farmers and implementers to choose among different production support modules (poultry, orchards, greenhouse production, etc.)
- Four projects approved during 2011-2013, with loans on ordinary terms, included support for economic infrastructure, commercial agriculture and value chain development. Rural finance and support for the WFs, which had been standard elements of the portfolio, were not included, whereas rural infrastructure was allocated a significant share of the budget.

  Government would welcome the strengthening of the ICO in China, including in particular the out posting of the CPM to Beijing.

IV. Portfolio performance

122. This chapter assesses the portfolio performance of 13 IFAD-supported projects covered by the CPE, using internationally recognized evaluation criteria applied by IOE (see annex IV for definition). At the time of the CPE mission (September 2013), six projects had completed, three projects were in an advanced stage of implementation, while three projects were in different stages of the start-up phase. The latest project, approved in December 2013, was being formulated.

123. The six completed projects are assessed by all evaluation criteria, and for three of these projects, the assessments had benefited from previous IOE project evaluations (RFSP, WGPAP, QMAPAP) in China. For the Environment Conservation and Poverty Reduction Programme in Ningxia and Shanxi (ECPRPNS), SGPRP and SPEARP, references are made to Project Completion Report Validations (PCRVs) conducted by IOE as well as other project reports. Given that the implementation of the other projects is ongoing, preliminary ratings are provided for XUARMRDP, IMARRAP, DAPRP and the Guangxi Integrated Agricultural Development Project (GIADP), based on a review of existing evaluative evidence. For HARIIP, YARIP and

SSADEP which are at the start-up phase, only the relevance of the projects design is assessed.

A. Core performance

Relevance

124. The relevance of the portfolio has been evaluated on the basis of a detailed analysis of the thirteen projects covered by the CPE in terms of: i) whether the objectives of these projects were coherent with the China COSOPs, the needs of the poor, and the Government's strategies and policies for rural poverty reduction; and ii) whether appropriate project strategies and approaches were developed to reach such objectives.

125. **Coherence with the COSOPs and gradual adaptation to a changing country context.** Overall, the objectives of all the thirteen projects were coherent with the IFAD COSOPs and aligned with Government's strategies and policies as well as the needs of the poor. During the period from 1999 to around 2005 (covered by the 1999 COSOP jointly developed with WFP), projects had a strong focus on supporting Government's initiatives for integrated rural development as part of the country's poverty reduction strategies. Hand in hand with WFP, the projects financed by IFAD during this period had included new components such as for-work, food-for-training, as well as support for health and education. The targeting approaches had been refined to adapt to the rapidly evolving poverty situation in China, which became increasingly confined to smaller pockets in the remote resource-deficient areas. Project objectives had been narrowed down to focus more sharply on the key causes of poverty.

126. By 2004/2005, the issue of *San Nong* was elevated as a key Government priority, to be dealt with through its significantly expanded rural development programmes. Food security was no longer the only concern. Consequently, IFAD's project support was also expanded to encompass promotion of agricultural production, transfer of new agricultural technologies, introduction of niche products of high value addition, support for improved market access, support for increased access to financial services, etc. These were in line with the COSOP specifications.

127. Rural finance had been one of the main activities supported by IFAD until 2008 with the approval of the Dabieshan project, and was not included in the design of the following three projects. Reasons for this exclusion might be associated with the transformation of the RCCs, as well as IFAD's difficulties in finding an appropriate project partner and sustainable implementation arrangements for pro-poor finance. However, given that access to financial services was and is a main constraint for the rural poor, the relevance of excluding rural finance was questionable. Thus, as a follow-up to the recommendations of the 2011 Country Programme Review, IFAD re-entered rural finance through its latest project, SSADeP, approved by the Executive Board in December 2013.

128. **Generally sound design.** All projects have appropriate strategies and approaches to achieve their objectives, for example, in terms of the component selection, activity mix and institutional arrangements. All projects have a special focus on poor rural women, and this is significant both for its direct impact on their livelihoods and its indirect impact on sustainable poverty reduction. Project designs were flexible enough to address many other aspects of rural poverty.

129. A strong feature of design is the participatory and demand-driven approach to project delivery. Village Development Funds and VIGs were key elements in this participatory approach, which was further enhanced with the modular approach introduced in 2005, allowing project management to deliver a number of agricultural support modules according to farmers' demand, without requiring a cumbersome change of project design. In a rapidly changing context, as in China, it is difficult at the design stage to foresee in a comprehensive way of what farmers

will demand 3-5 years' time. Modules usually cover from several households in a single village to a whole township and the implementation period varies between several months to three years, depending on the type of activities. The modular approach might be relevant in IFAD programmes in other countries where it also is common that project management perceives the assumptions in appraisal reports as detailed targets to be achieved.

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131. **Design issues.** In reviewing the relevance of project designs, the CPE has identified two sets of issues for consideration in future design. These issues are centred around: (i) innovations; and (ii) targeting in a changing socioeconomic rural landscape.

132. Innovations: Most of the innovations observed in the portfolio have emerged during implementation, in response to an implementation challenge or an opportunity captured by PMO staff or beneficiaries. Innovations have mainly been related to agricultural production, including innovative agricultural technology.

133. Though standard rural infrastructure such as village roads, drinking water and irrigation no doubt is relevant and needed in the beneficiary villages, it has limited potential for innovation. Therefore, the room for innovation becomes limited when the major part of the project budget is allocated for infrastructure as done in the three most recent projects in Guangxi (58 per cent of total base costs), Hunan (66 per cent) and Yunnan (33 per cent) where IFAD contributes 40-50 per cent of the financing.

134. In certain cases new ideas and approaches, at least new to the local context, are introduced in project design, such as the value chain approach, which is introduced in the three recent projects. This is a new approach to many local agricultural staff whose work traditionally has been oriented towards production and supply. However, while the design introduced the concept, it did not provide detailed strategies and guidelines on how to implement it, e.g. inclusion in the implementation structure and PLGs of the local bureaus for commerce and for township and village enterprises was an important missed detail. Implementation staff in GIADP expressed a demand for guidance on how to facilitate value chain development, including promotion of pro-poor commercial cooperatives.

135. Targeting: IFAD's support is generally concentrated in poor areas identified in the Government's anti-poverty plans. Some of the earlier projects combined geographic targeting, targeting by activities and targeting by average household income, later replaced by annual per capita grain production and net income, according to WFP methodology.[40] The CPE fully concurs with the 2011 Country Programme Review (CPR)[41] which recommended "the fullest possible use of the government's own poverty classification systems" as this could allow easier comparisons and aggregation of poverty numbers across project areas and projects.

136. In terms of geographic coverage, the 2011 CPR found that impact was higher where investments were comprehensive and addressed all major constraints to development in smaller projects area, corresponding to the findings on government's "whole village approach" (see chapter VIII).

[40] According to WFP methodology, households are classified as A: better-off; B1: poor; B2: very poor; and C: poorest.
[41] The 2011 COSOP was formulated based on a country programme review conducted by APR in 2010.

137. Looking at the issue of targeting more broadly, it should be noted that China's rural socio-economic landscape has been changing rapidly under the influence of the following strong trends: (i) outmigration, in particular, young men, resulting in a rapidly ageing farm population and feminization of agriculture; (ii) land consolidation; and (iii) agricultural commercialization. These trends have a strong impact on project contexts, targeting and support strategies. For instance, the non-productive rural poor (the elderly, sick and disabled) will depend on remittances and government welfare programmes while the productive self-employed rural poor, IFAD's traditional target group, gradually will depend on employment in micro/small/medium commercial farms and in off-farm enterprises. Many productive rural poor will become part-time farmers and part-time salaried workers. This implies that IFAD's main way of reaching this group is indirect, through employment and income generation by supporting younger, commercial, micro and small farmers, who wish to make farming a business, employing people, as well as assisting agribusinesses and rural enterprises. Thus, this is a trickle-down strategy, which has not been the preferred approach at IFAD.

138. IFAD's other option is to focus exclusively on remote, mountainous areas with ethnic minorities and less input-intensive and more organic production systems where the land consolidation and commercialization trends are less strong and where the productive self-employed poor will continue to play a role. While some of these areas may need investments in roads and water, the main focus of the support will be on improving and modernizing organic or similar production systems and finding niche markets for the produce. Agricultural technology advice will need to be adapted to their multi-dimensional integrated farming systems, completely different from the input- and capital-intensive systems of mainstream agriculture. This implies that the main support will consist in "software" of relatively limited costs.

139. In this regard, the Project Completion Report (PCR) on QMAPAP rightly warns against using the criteria of remoteness and poverty uncritically: "IFAD should target poor villages with potential economic capacity, rather than these very remote and poor ones with only some old people left at home."

140. The most recent project, SSADEP, is considered by this CPE to be satisfactory in terms of the relevance of its objectives and design. Aiming at reducing poverty and improving livelihood by integrating smallholders to agricultural commodity value chains, enhancing the capacity of the rural poor, and promoting agricultural commercialization with high-value production and secured market linkage, the project aligns with the Government's most recent poverty reduction policies as well as IFAD's 2011-2015 RB-COSOP, in particular with the strategic objectives SO1 and SO2.

141. Relevance is rated overall as satisfactory (5) for the 13 projects evaluated by the CPE. The individual CPE ratings for each IFAD-funded project, by evaluation criteria (including relevance), may be seen in annex I.

Effectiveness

142. Effectiveness, that is, the extent to which the objectives of IFAD-funded projects were achieved or are expected to be achieved at the time of evaluation, has been assessed for nine out of the thirteen projects. It is too early for the CPE to assess the effectiveness of GIADP, HARIIP, YARIP and SSADEP, as they are in the different stages of start-up phase. These four projects have therefore note been rated by the CPE.

143. **Effectiveness across projects:** Most of the completed projects have strong records of achieving project objectives and overall project targets have been achieved or exceeded. Physical and financial delivery rates have been consistently high, which may be attributed to the strong leaderships of the PMOs and a strong

sense of ownership among implementing agencies at the different administrative levels of the implementation structure.

144. Two projects from the IFAD-WFP period stand out as having extraordinary ratings of highly satisfactory (6). The completion evaluation of the West Guangxi Poverty Alleviation Project (WGPAP) highlights the high coverage achieved across the ten project counties and the high indicator achievement in the dimensions of income generation and food security. The South Gansu Poverty Reduction Programme (SGPRP) has not been subject to an independent project evaluation, but based on its strong M&E system, a well-prepared completion report and a visit to the project by the CPE team, the highly satisfactory rating for effectiveness is not in doubt. Financial achievement was 101 per cent of the midterm review target, while subcomponent and outcome/impact indicators were achieved or surpassed.

145. In contrast, the RFSP did not achieve the expected outcome in terms of effectiveness, which was rated moderately satisfactory (4) by the 2013 IOE Project Performance Assessment. As the only thematic project in the evaluated portfolio, RFSP had a national thematic policy component aimed at instituting a systemic sector-wide change in the rural finance sector. This was not achieved and the overall project rating only moves into satisfactory territory because of better performance in other components. The on-going DAPRP seems unlikely to achieve its objectives if the performance of the past continues, but impressive catch up in the last years of the implementation period is common in the China portfolio.

146. **Effectiveness across supported themes.** The evaluated portfolio has supported many different themes and subsectors, but the major part of IFAD's lending has gone towards agricultural production, infrastructure and rural finance. In the recent portfolio, development of agricultural value chains and marketing cooperatives, as well as environmental support with GEF funds have become key themes but work is still at an early explorative stage.

147. The support for agricultural production has overall been effective, achieving or exceeding its targets and objectives, with a strong impact on household incomes and food security. The support has often involved the introduction of new crops and varieties through demonstrations. One challenge has been to ensure that the technologies and systems promoted among poor farmers and in remote mountainous areas are relevant to the beneficiaries and their context. The agricultural extension system has its focus on promoting high-input, intensive and therefore financially demanding technologies for mainstream agriculture, but such are usually not relevant or beneficial to the target groups of IFAD projects.

148. Since 2005, projects have increasingly focused on helping farmers market their produce, for example through support for market information systems and farmer cooperatives. As from around 2005 the projects started to engage the technical envoy system, which is more market oriented than the traditional agricultural extension system. However, the risk of projects contracting and paying for technical envoy services is that it goes against the intention of making technical envoy services driven and paid for by farmers. Nevertheless, it also needs to be recognized that it only seldom would be the very poor farmers who "drive and pay".

149. **Rural infrastructure.** While the early projects included support for some social infrastructure and services, such as primary schools and health clinics, the main focus has been on public infrastructure such as village roads, irrigation and drinking water, whereas four projects have supported private infrastructure, i.e. biogas digesters (see annex X). China has vast capacity for infrastructure construction, also in rural areas, and overall targets and objectives have been met or surpassed. The effectiveness of the support for rural infrastructure is rated satisfactory (5).

150. Eight of the twelve projects included budget for village access roads. Project evaluations and the CPE team's observations confirm a number of positive outcomes, including savings in transport time and costs, and improved access to markets, services and information. Access roads benefit the poor as well as rich households, and often it is the rich who obtain the highest financial gains. This is an issue that merits attention in future design and implementation.

151. Eight projects included support for irrigation infrastructure. There is ample evidence demonstrating positive outcomes on crop yields. Water-saving irrigation techniques were often part of the support interventions, and there is evidence of improved water use efficiency, e.g. from ECPRPNS. Village drinking schemes were part of eight projects, and included support for water tanks and collection as well as distribution networks to individual households, saving them time and providing health benefits. Many households buy washing machines when their house is connected by the water supply system.

152. Support for social infrastructure/services was part of the four projects belonging to the IFAD-WFP period, and was generally characterized by satisfactory effectiveness. Though there are issues of attribution, it is fair to say the projects contributed to improvement in a number of areas, as shown by social indicators. For example, in the ECPRPNS-supported areas, the enrolment rate of school age children reached 98 per cent and drop-out rates decreased from about 30 per cent in 2001 to near zero in 2011. Under WGPAP, 2,073 teachers were trained, equivalent to half of primary school teachers in the project area.[42] In terms of health care services, the programmes supported maintenance or construction of village clinics, together with training for doctors. In the SGPRP, 34 village clinics were built along with the provision of critical equipment to township hospitals and village clinics, fully realizing the programme target. One outcome was an increase in the proportion of women giving birth in hospitals, from 10-20 per cent in 2003 to 94 per cent in 2012.[43]

153. Promotion of women's empowerment and livelihoods is a strong feature of the portfolio, in particular in the IFAD-WFP period where mainly WFP provided for women's training programmes in adult literacy, health and hygiene, and technical agricultural subjects. The latter helped women increase production, and with water and biogas in the house, they also had more time for agricultural activities.

154. **Rural finance.** Effectiveness in this area is mixed. In the early period, credit was delivered and managed by the PMOs, which was unsustainable and contrary to good practice. PMOs are temporary non-financial institutions whereas credit programmes need to be managed by permanent specialized financial institutions. Partnership was then developed with the RCCs and some success was achieved in convincing them to lend to the rural poor. Indeed, many poor households have benefitted and continue to benefit from the credit schemes. However, at the same time the RCCs went through a financial consolidation and commercialization process, which pulled them in the other direction. Attempts under the RFSP to influence government rural finance policy and relax the caps on interest rates did not produce the targeted results.

155. Especially in the earlier part of the evaluated period, the portfolio demonstrated some effectiveness in contributing to improving women's access to microcredit. This was done partly through cooperation with local women's federations and the central ACWF, which was entrusted with the management of small credit funds, and partly through the village credit funds, managed by the village committee. However, none of these arrangements contributed to development of sustainable

[42] IFAD (2010) Project Completion Evaluation : West Guangxi Poverty- Alleviation Project. Report No. 2200-CN. September 2010.
[43] IFAD (2012) Project Completion Report: Environment Conservation and Poverty-Reduction Programme in Ningxia and Shanxi. July 2012.

rural financial institutions. As noted by the CPR: "The AWCF has no mandate or objective of becoming a sustainable financial institution." IFAD financial support and cooperation with the ACWF was not continued in the three recent projects, but local women's federations continue to be active members of the PLGs.

156. **Monitoring and evaluation.** The PCRs of the completed projects provide limited evidence of the effectiveness of the M&E systems, showing thereby that the M&E in most IFAD projects has not performed up to standard. Meanwhile, the lack of systematic baseline studies of most of the projects makes data analysis over time more difficult. With the introduction of the Results Impact Management System (RIMS) in 2006, the situation has improved. The RIMS system provides comprehensive data on outputs and the number of villages and households covered. Outcome indicators have also been established for all ongoing and new projects with gradually improved data quality.

157. In conclusion, nine of the thirteen projects were evaluated for effectiveness by the CPE (see annex I). Seven of the nine projects are rated as either highly satisfactory or satisfactory, and the remaining two as moderately satisfactory. Overall, the CPE assesses effectiveness of the China project portfolio as satisfactory (5).

Efficiency

158. The assessment of efficiency attempts to examine how economically resources and inputs (funds, expertise, time, etc.) are converted into results. Given the lack of reliable data to undertake cost-benefit analysis at project completion, the CPE used a number of proxy indicators to make an assessment of project efficiency, as reported in the following paragraphs. In any case, the evaluation has been able to assess efficiency in 10 out of the 13 projects covered by the CPE. The three most recent projects are still in early stages of implementation to allow for an efficiency analysis, and therefore have not been rated.

159. **Time dimensions.** Over the evaluated period, the average time lapse between loan approval and loan effectiveness was lower than the IFAD global average, but higher than the regional average. However, the time lapse was reduced in the latter part of the period, where the projects have no rural finance components, which in the past had required lengthy negotiations of subsidiary loan agreements with RCCs and ACWF. It has also helped that project implementation manuals (PIMs) substituted the previous inter-agency agreements. In the IFAD-WFP period, the time lapse occasionally resulted in odd situations where the IFAD part became effective after the WFP part had been completed (South Gansu and Wuling Mountains).

160. Minor time overruns (extension of completion date) were experienced in three of the closed projects, ECPRPNS (9 months), RFSP (6 months) and SPEARP (12 months). Generally, projects have a slow start but catch up after midterm, thanks to a target- and delivery-oriented culture in the PMOs. One reason for the slow start is that many staff members in the subnational governments, in particular at the county and lower levels implementing the project, have no previous experience with IFAD and IFAD procedures, as well as limited understanding of the intention of the project. In addition, many are not proficient in English. There is room for improving the start-up phase by addressing some management issues (see below).

161. **Economic/financial dimensions.** Calculation of the Economic Internal Rate of Return (EIRR) is connected with considerable uncertainties and challenges, not least in China where some product prices are state-managed. It is also a challenge to estimate benefits of increased agricultural production, which in some cases is sold on almost saturated local markets and where an increase in yield and production may result in collapse of farmers' prices. While appraisal reports include guesstimates of the EIRR, based on many uncertain assumptions and projections, the attempts to re-calculate EIRR at project completion have also been connected

with problems; for example the completion evaluation of WGPAP presents a critique of the attempt, but also suggests that there are factors which could indicate that the EIRR was in fact underestimated.

162. While recognizing these issues, the 2011 CPR compares available EIRR calculations at appraisal and completion, also for projects not covered by this CPE, and the overall picture is satisfactory. The calculations undertaken in connection with the CPE desk review confirms this picture.

163. **Budget utilization and financial delivery.** All six completed projects (covered by the CPE) had either fully or almost fully utilized the allocated funds at completion. For ongoing projects, the pace for disbursement had been slow before MTRs. For instance, the Xinjiang programme (XUARMRDP) and Inner Mongolia programme (IMARRAP) reported a low disbursement rate with 39 per cent and 27 per cent respectively at the MTR point. One of the main causes of slow disbursement is the delays in submission of withdrawal applications (WAs). In the case of IMARRAP, only one WA was submitted to IFAD during the first two project years.

164. The CPE observed that for most of the projects which had disbursement lags, implementation progress was not significantly affected. This was due to the availability of Government's counterpart funds, including the continued commitments of government at all levels to pre-finance key activities, which enables project implementation to proceed as planned. In the meanwhile, for all the on-going projects covered by the CPE, disbursement performance also often improves after MTRs in almost all cases. In fact, by the time of project completion, disbursements from IFAD loans are close to 100 per cent. This is a distinguishing characteristic of the China country programme.

165. It is important to note that IFAD's General Condition[44] and the Loan Disbursement Handbook have been translated into Chinese, which has been a useful step to facilitate budget and financial management. However, new project accounting staff are not always fully conversant with IFAD procedures in the initial stages of project implementation, leading to longer than expected time in the preparation of WAs (including supporting documents required). At the same time, it is fair to recognize that the time take to process withdrawal applications and disburse funds from IFAD loans in China is between 7 to 14 days, which is quite a bit lower than the average time taken in other countries in the Asia and Pacific region.

166. **Project management costs.** Overall, project management costs constitute a relatively modest share of total project budgets (10 per cent or less) and four out of six completed projects have spent less than budgeted on project management. This is a very good achievement.

167. **Management issues.** While establishment of an IFAD country office has helped PMO staff in dealing with the many challenges in project start-up, there is still some room for improvement. PMO staff of GIADP found it inefficient that they had to contract expertise to develop financial management and M&E software. Finally, necessary design modifications should be made in the start-up phase and not await the midterm review, a point supported by the 2011 CPR: "The mission noted that necessary adjustments in project operations, even those identified early in implementation, were frequently postponed until the midterm review (MTR). As a result, many of the projects only picked up speed after the MTR, leading to wasted time and contributing to project extensions".

168. **Procurement and infrastructure.** The IFAD procurement guidelines have been translated into Chinese and made available to project and other concerned authorities. This has facilitated procurement processes. In any case, it is necessary to note that IFAD project procurement in China use national systems and is

[44] General conditions for Agricultural Development Financing (IFAD). Available at http://www.ifad.org/pub/basic/general/e/gencone.pdf.

therefore in full alignment with Government rules and procedures as well. IFAD does however require prior review for large volume procurements, which is applied regardless of the percentage of share of financing, as long as IFAD resources are used in financing a particular contract above a specific threshold or even based on the procurement method used (e.g., direct contracts or single source selection). This is a necessary control mechanism for IFAD to fulfil its fiduciary responsibility and minimize risks of financial/procurement mismanagement.

169. However, procurement prior review has been perceived by project implementation staff as a constraint to efficiency, due to the extra resources (including capacity) required for the preparation and translation of related documentation, as well as the waiting time for IFAD's no-objection. The infrastructure investments in the recent projects often involve contracts with value above the threshold for prior review.[45] Prior reviews in these cases have been time-consuming and costly, and also place demands on IFAD to have infrastructure engineers review and assess technical design and tender documents.

170. Competitive methods are most frequently used in the procurement process, such as national competitive bidding (NCB) and national shopping. Delays in procurement were observed, *inter alia*, in the purchasing of project vehicles and the building of training centres, due to the restrictions of the Government on vehicles purchasing and government building construction.

171. To summarize, nine of the ten projects are in the satisfactory zone (moderately satisfactory or better) in terms of efficiency, with only one project (DAPRP) rated as moderately unsatisfactory. However, considering that, overall, the portfolio has been efficient in converting allocated resources into results and benefits within reasonable time frames, efficiency of the project portfolio at large is rated satisfactory (5) by the CPE. This is a very good achievement, as efficiency has traditionally been one of the most challenging areas for IFAD operations in other countries.

B. Rural poverty impact

172. The primary purpose of IFAD's operations is to contribute to the reduction of rural poverty which, according to the IOE Evaluation Manual, is assessed across five domains: (i) household income and assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; (iv) natural resources and the environment and climate change; and (v) institutions and policies. Moreover, nine of the thirteen projects covered by the CPE have been assessed in terms of their impact on rural poverty, excluding the most four recent operations. This is because the latter are in relatively early stages of implementation for an assessment rural poverty impact.

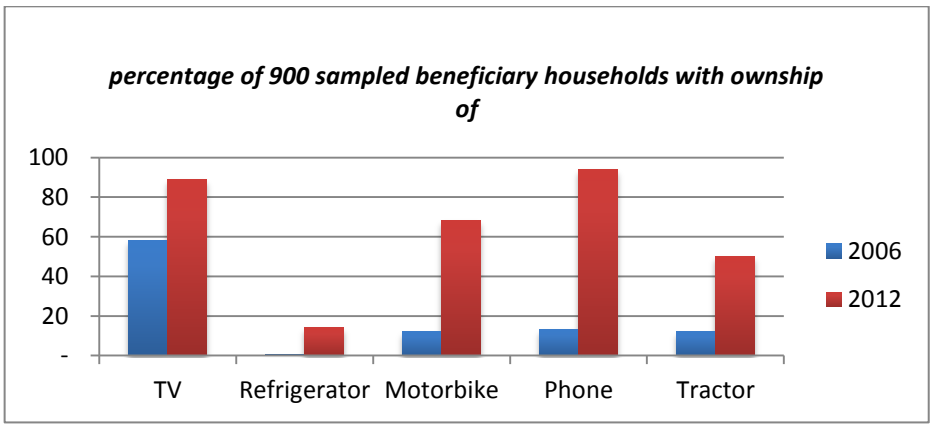
173. **Contribution or attribution?** Considering IFAD's negligible financial resource envelope as compared to Government's large rural poverty reduction programmes as well as China's impressive reduction of rural poverty and increase in household incomes, it is particularly a daunting challenge in China to determine whether one can attribute reduction in rural poverty to the IFAD projects. Furthermore, it has generally not been part of the project M&E systems to monitor developments in control groups to assess differences in development between "areas with the project" and "areas without the project". The completion evaluation of WGPAP did make a brief survey in four villages not covered by the project, which suggested (but without statistical significance) that it could be justified to attribute certain impacts to the IFAD project.

[45] As per IFAD's Procurement Handbook, the level of prior review will depend on a number of factors including contract value, the procurement capacity of the Borrower/recipient and complexity of the procurement. However, estimated contract value above US$200,000 (for procurement of goods and works) and US$100,000 (for procurement of services) are IFAD stated thresholds, for which prior review must be undertaken.

174. Fortunately, Chinese researchers have undertaken in-depth analyses of 12 IFAD projects[46] in 13 provinces, also attempting to determine attribution by comparing developments in project and non-project areas.[47] This analysis suggests not only a positive contribution but also that certain impacts, e.g. increase in per capita income of the projects areas, can be attributed to the IFAD projects, viz. "Comparison of farmers' per capita net incomes between project areas and non-project areas shows that: (1) the increase in farmers' per capita net income in project areas (123.86 per cent) is about 2.6 times that in non-project areas (47.83 per cent)."

175. **Household income and assets:** All completed projects covered by the CPE have made positive and significant contributions in this domain and there is evidence that the on-going projects are doing the same as they approach completion. Direct impacts have primarily been obtained from the support to agricultural production and rural finance in terms of small loans to poor families[48] but indirectly the infrastructure investments in roads, water and biogas have also contributed. However, as noted by the QMAPAP interim evaluation: "Migration work has brought the biggest proportion of income."

Figure 1
South Gansu Poverty Reduction Programme – Asset ownership before and after



176. Project completion reports present data on significant increases in the income of household beneficiaries. There is a clear movement from category C (poorest) to category B (poor) to category A (better-off). The three IOE project evaluations rate the projects' contribution in this domain as either highly satisfactory (6 for WGPAP) or satisfactory (5 for RFSP and QMAPAP). There is also significant evidence to confirm a substantial improvement in household assets and liabilities. Apart from substantial increases in household and agricultural assets (figure 1), a new house (financed from remittances and government subsidies) often constitutes the main improvement in the household's net worth.

177. While WGPAP and SGPRP stand out with extraordinary performance (i.e., highly satisfactory (6)) in this domain, this evaluation has assessed as satisfactory (5) the overall project portfolio covered by the CPE in terms of impact on household income and assets.

178. **Human and social capital and empowerment** refers to individual capacities and the social capital and joint institutions of the poor, including villages and their administrations, which are grassroots organizations and not part of the formal government structure even though those in leadership positions receive a salary from government. The most significant contribution to human capital and

[46] Some of these projects which completed before 2004are not covered by this CPE.
[47] Shuai Chuanmin, Zhou Li, and Sun Ruomei. IFAD projects: results and impact on rural poverty reduction in China. Outlook on Agriculture, Vol 40, No 4, 2011.
[48] The 2011 CPR estimated that IFAD's support for rural finance had provided some 1 million poorer households with small loans.

empowerment was made by the older projects of the IFAD-WFP, which included food-for-training, adult literacy programmes for women, and primary health and education. Training in agricultural subject matters, including demonstration plots, has made contributions in this domain as well, and investments in infrastructure have in various indirect ways also contributed: roads (access to services and information); drinking water (time savings and health); and biogas (time savings and health).

179. A special feature in China at project completion is that participatory "evaluation workshops" are implemented with a sample of stakeholders and beneficiaries inviting their views on successful and less successful elements of the projects as well as the explanatory factors. For example in WGPAP, the components of training and agriculture were ranked highest on the success scale.

180. The contribution to building strong sustainable institutions of rural poor has been somewhat more limited (though moderately satisfactory in all projects assessed for human and social capital and empowerment, apart from DAPRP which is considered moderately unsatisfactory). A common feature in the portfolio has been the establishment of VIGs for preparation of VDPs, wealth ranking, identification of household priorities, and facilitation and monitoring of project activities. All evidence suggests that the VIG/VDP model has contributed to a more participatory planning process, participation of poor households in village matters, better coordination between different sectors and empowerment of villages to negotiate their issues with township government.

181. However, the fact remains that the VIGs are project-created temporary structures, parallel to the Village Committee and Council which in many cases anyway have had the decisive role in implementation, as noted by the CPR: "villages have in practice mostly implemented the project through the village committee". The CPR also found that the detailed instructions on compositions of VIGs, as provided in project documents and PIMs, had generally not been followed: "In almost all VIGs encountered during the CPR, the head of the VIG was the party secretary, not the elected village head as recommended."

182. In the more recent portfolio, the new and difficult challenge has been to facilitate the development of socially inclusive and equitable marketing cooperatives or groups as part of a strategy to develop pro-poor value chains. Work on this is still at an explorative stage. Considering the positive contributions to human capital and empowerment, particularly of the older projects, but on the other hand the less strong results in developing sustainable institutions of the poor, the overall contribution of the evaluated portfolio in this domain is assessed as moderately satisfactory (4).

183. **Food security and agricultural productivity.** The contribution in this domain has also been substantial and positive, and mainly obtained from support to agriculture, irrigation, and biogas digesters (providing manure for fields) as well as from loans to households for investment in agricultural production and livestock. This is also confirmed by the evaluations, with satisfactory ratings (5) for QMAPAP and WGPAP and moderately satisfactory rating (4) for RFSP. The completion evaluation of WGPAP found substantial improvements in food security but also that child malnutrition remained high though the project had (probably) facilitated improvements.

184. There is also evidence of major contributions to food security in completed projects which have not been evaluated. In the area covered by SGPRP, per capita grain production increased from 293 kg in 2005 to 465 kg in 2012. In the area covered by WGPAP, per capita grain availability increased by some 49 kg by 2007 versus a target of 45 kg. Increased grain production is not the only pathway to improving food security. Improving household income from other agricultural activities such as horticulture and livestock and from off-farm activities can be equally important.

In Inner Mongolia, food security is for many linked to livestock, where IMARRAP is facilitating substantial increases in productivity and production. In WGPAP, the biggest incremental gross value was obtained through crop diversification and mixed farming.

185. All projects have facilitated significant improvements in agricultural productivity. Partnerships with local agricultural bureaus have proven to be very effective instruments for the introduction and dissemination of new products and technologies, often by means of demonstration plots, while investments in irrigation, drainage and cisterns have improved production conditions. WGPAP has generated/identified and promoted 46 agricultural technologies, which were described in a compendium at completion.

186. Increased productivity and production occasionally comes at a cost. First, the production-oriented extension services sometimes fail to analyse the price impact of increased production, which can be significant for crops without government-supported prices. For example, in 2010 the farm gate potato price peaked at CNY 2.20 /kg, which stimulated the extension of new potato varieties and expansion of the planted area to a historical top in 2011, resulting in dramatic decline in farm gate price to CNY 0.30-0.40 /kg. Second, increased productivity can have negative impacts on human health and the environment as many of the promoted technologies are based on intensive use of chemical fertilizers and pesticides (see below).

187. However, overall the portfolio has made and is making an important contribution to improving food security and agricultural productivity, which is assessed as satisfactory (5).

188. **Natural resources, the environment and climate change.** Many significant project contributions have been made in this domain but it is often problematic to attribute environmental improvements to the projects due to large government programmes for reforestation, converting farmland on steep slopes (+15 per cent) into forest or grassland, and soil fertility improvement with lower use of chemical fertilizer. However, the projects have made complementary contributions to these programmes.

189. Positive environmental impacts can be attributed to the biogas units, supported under four projects. According to the QMAPAP evaluation, one unit can save about 3 mu of forest per year (and the household 30 working days in wood collection); and, the manure fermented in the units provides organic fertilizer, improving soils and increasing crop production. Following accompanying training under QMAPAP, farmers have also started to use or increased their use of crop residues for making compost or animal fodder.

190. SGPRP had substantial programmes for tree planting, soil erosion control and restoration of pastures and farmland. Water shortage, in many areas the key constraint on agricultural production, was addressed through support for water collection cisterns and water-saving irrigation techniques. A GEF grant for integrated ecosystem management covering Gansu, Shanxi and Ningxia was approved in 2009, but it only became active when SGPRP was about to close (see section VI.D).

191. The Environment Conservation and Poverty Reduction Programme in Ningxia and Shanxi (ECPRPNS) increased vegetation cover and reduced soil erosion. It promoted integrated pest management and achieved a reduction in non-point source pollution by reducing use of chemicals to a minimum. Introduction of cut-and-carry livestock production (zero-grazing) reduced pressure on natural pastures.

192. As illustrated above, there are many positive project results, but these have not had any significant influence on the predominant national extension messages for

mainstream agriculture. Considering that China's use of fertilizers (350 kg/ha) is three times higher than the global average, and higher than in many OECD countries, the WGPAP evaluation notes: "while WGPAP was innovative in the agricultural development component in general terms, it failed to convey strong and consequent messages regarding fertilizer use."

193. The 2011 CPR raises another general and highly relevant point: "There is a strong and growing positive correlation between poverty and environmental stress in China today, and IFAD projects are increasingly operating in regions where environmental challenges are of vital importance. At this time merely looking at direct environmental impact of project work is no longer an adequate approach. Environmental problems, trends, the indirect impact of the project and the choices that the population will face as the government acts to reduce environmental pressures all need to be integral considerations in project design and planning. At present, there are no clear mechanisms for identifying where broader programme support may impact positively or negatively on the environment. An environmental assessment and monitoring process should be incorporated in IFAD projects where necessary, and new activities should be planned that focus on environmental improvements and on new technologies."

194. To summarize, the portfolio has made many positive contributions in this domain within the localities covered by the projects but there is scope for scaling up the successful results, by influencing national extension messages and strategies. The IOE evaluations of QMAPAP and WGPAP provide satisfactory ratings for this domain (not rated for RFSP which had no relation to this domain) and completed projects present strong records of results and outcomes. Overall, the impact of the portfolio in this impact domain is assessed as satisfactory (5).

195. **Institutions and policies.** In this domain, "institutions" refer to government institutions, not private or civil society institutions of beneficiaries. Since 2004, when the MOF replaced the Ministry of Agriculture as IFAD's central government partner, IFAD's project cooperation has been with subnational governments whereas the central government partners are responsible for loan administration and the overall partnership (MOF) and geographic and strategic priorities of the pipeline (National Development and Reform Commission). Therefore, the main institutional influence from the portfolio is on the project partners at subnational level.

196. The RFSP represents an exception as it had one component dealing with rural finance sector policy reforms with the national China Banking Regulatory Commission (CRBC), but this component did not achieve its objectives. However, IFAD provided institutional development support to selected RCCs with positive results. Also in the area-based projects, IFAD engaged with the RCCs and had some success in bringing about a more positive attitude among some RCCs towards lending to poorer households.

197. In general, IFAD works through the regular government channels based on existing government institutions. It has been acknowledged that by applying such an approach, IFAD-supported projects benefit from the effective central and local governments in terms of project implementation and administration. Therefore, the impact on institutional change and reform and the empowerment of local organizations has been limited. However, IFAD's project assistance has demonstrated a positive impact on provincial level approaches and practices for the management of agricultural development projects, including fiduciary aspects, project management and implementation. Lessons and experiences from implementing IFAD-supported projects are particularly relevant for institutional capacity strengthening. However, staff of subnational governments generally appreciates being involved in international development projects as it exposes them to international experiences and gives them an opportunity to acquire new

knowledge. Staff members are assigned temporarily to the PMOs for the IFAD project and after project closure they get other duties within their local governments, perhaps related to another international development project. They are not transferred to another IFAD project in another province or region. Thus, the main benefit for the institution is some improvements in the capacity of individual staff members.

198. The PLGs are providing an important coordinating function during project implementation but are dissolved at project completion. However, the personal experiences of working together may be taken into future work and facilitate future coordination.

199. On these considerations, the CPE finds that contribution of the portfolio in this domain has been moderately satisfactory (4).

200. **Overall rural poverty impact.** Significant contributions have been made in the domains of household income and assets as well as food security and agricultural productivity, and there is also evidence to support that developments in these domains have been better in areas covered by the IFAD projects than in non-project areas. More limited (though moderately satisfactory) contributions have been made to developing viable and sustainable organizations of the poor and the impact on government institutions and policies has been limited. On this background, the overall rural poverty impact of the evaluated portfolio is rated satisfactory (5).

C. Other evaluation criteria

Sustainability

201. The prospect of sustaining the outcomes and impacts is addressed by answering two questions: (i) will the Government and non-government partners (RCCs and ACWF) continue to provide the services and support, which the IFAD loans contributed to finance? And (ii) will the beneficiaries of the IFAD-supported projects continue with the activities they have engaged in because of the support of the IFAD-supported project? With respect to the first question, the answer is affirmative for IFAD-supported activities, which are standard elements of the government agencies (e.g. rural roads, agricultural extension etc.). IFAD's contribution to financing such standard activities constitutes only a negligible fraction of government budgets, which have been increasing in line with government's prioritization of rural poverty reduction.

202. However, where the IFAD support has promoted new ways and approaches in government services the answer is less clear-cut. For example, when working with village development, some subnational governments may continue with the VIG/VDP project approach, while others will continue with only the mainstream model of working with the Village Committee and Council. Similarly, new approaches in agricultural extension services, e.g. prioritization of more organic models, may be continued if the project has managed to institute a change in attitude and priorities of staff and agencies, a change which remains.

203. **Agricultural production.** Project support has facilitated introduction and adoption of new crops, varieties, and husbandry (e.g. integrated pest management, zero-grazing) and in most cases farmers have gained financially, which contributes to ensuring sustainability. In addition, many of the promoted technologies have contributed to environmental sustainability. However, neither markets nor technology is static and many of the past beneficiaries have migrated to urban areas.

204. **Rural infrastructure.** In China, rural infrastructure is in general well maintained by villages and user groups, often with financial support of the government. Projects have further strengthened the situation by training beneficiaries in

maintenance and recent projects have introduced "infrastructure maintenance groups".

205. A special feature in many parts of China is that village/rural access roads are constructed in concrete, using cement instead of asphalt or gravel. Though narrow in width, this type of road provides all-year access and is almost maintenance free for the first 8-10 years, unlike asphalted and gravelled roads in Africa where potholes and other damages develop within the first 2-3 years. It would be interesting for IFAD to explore if this technical solution would also be feasible in other partner countries or whether its feasibility in the Chinese context is due to favourable prices of cement.

206. **Rural finance.** The unsustainable model of delivering credit through the PMOs was replaced by partnering with the RCCs, which have gone through a financial consolidation process that for most of them has improved the prospects that they will be sustained as institutions. In this process, many RCCs have converted into rural commercial or cooperative banks, moving upmarket and giving less priority to servicing poor households in the villages. This has left a void, which now gradually is being filled by the new village and township banks. However, the CPR found that after completion of two projects the RCCs had maintained the revolving funds received from the projects in separate accounts, which were on-lend to poorer households.

207. Looking forward, there are sustainability risks. The ordinary IFAD loan terms, with much shorter grace and repayment periods, increase demands on subnational governments to find liquidity from other sources in order to repay the IFAD loan while ensuring that the financial facility supported by the project continues. With the proceeds of the IFAD loan (a liability), the subnational government may provide funds in trust to a financial institution for earmarked lending to project target groups or invest in a loan guarantee facility, which then becomes an asset of the subnational government. If the subnational government is cash-constrained (which many are) and cannot find other sources for repaying IFAD, it may have to liquidate these assets in order to repay IFAD, thus eliminating the sustainability of the facility.

208. It appears likely the village credit funds will be sustained, providing microcredit for the poorer households in the village. The village governance framework (with village committee and council) appears strong in most of rural China and also capable of managing the village credit funds, for which they have clear rules and regulations.

209. The revolving funds with ACWF and the local women's federations in many cases have been maintained but ACWF and its local branches do generally not see it as their core mandate to become a professional financier of microcredit for women.

210. **Rural organizations.** Sustainability prospects in this area are mixed. Organizations such as the RCCs and women's federations appear to be permanent elements of the rural landscape whereas the VIGs are created and may disappear. Support for the new rural marketing cooperatives is still at an early stage, but could produce important sustainable outcomes if government accepts using a larger part of loan proceeds for software and capacity development.

211. **Summary.** Given the government's strong commitment to rural poverty reduction, underpinned by large budgets for many of the intervention areas in the IFAD portfolio, the overall sustainability prospects are assessed as satisfactory (5). This is a very good achievement, especially as sustainability (along with efficiency) has been a challenge for IFAD operations in other countries. In China, sustainability appears particularly strong for many of the agricultural activities and rural infrastructure, but less so for some of the supported rural organizations. Overall, the large rural-urban migration constitutes a sustainability threat and also for this

reason it is important that project formulation carefully consider migration trends in targeted areas to avoid situations where most of the beneficiaries have left by project completion.

Innovation and scaling up

212. IFAD's contribution to innovation and scaling up by other partners is considered to be IFAD's most important value added in China and also an important element in promoting South-South and triangular cooperation. IFAD's global experience within rural development and poverty reduction is very important alongside the financial resources it provides to China. However, the 2011 Country Programme Review (CPR) found that this was the only evaluation criterion on which performance had been below the satisfactory zone and was given a rating of moderately unsatisfactory (3).[49]

213. In any case, the criterion is extremely challenging to assess. First of all, it is often difficult to determine whether something really is an innovation, even in the local context, and secondly it can be an impossible task to attribute an innovation to a certain agency or person as innovations tend to emerge during implementation in teamwork, through discussions and mutual inspiration to find solutions to certain problems. And it could be argued that the important thing is that the cooperation generates innovations rather than who should have the credit. Finally, project M&E systems generally only focus on the project area and will therefore not capture scaling processes taking place outside.

214. **Innovations.** In general, all internationally supported rural development projects in China apply participatory approaches. IFAD (and WFP) is often credited for having introduced (before the period covered by this CPE) participatory approaches into a Chinese planning and management culture, which is target and supply-driven, with a few exceptions such as the technical envoy system. In the period covered by this CPE, IFAD can be credited for having scaled up and further developed participatory approaches, through the modular approach. In terms of innovations introduced during 1999–2013, it is the assessment of this CPE that the agricultural development components have delivered the more distinct innovations. Often these innovations emerged during implementation, not through project design.

215. In Inner Mongolia, IMARRAP introduced village livestock service stations in each administrative village. This is the first time such a facility has been established in China, and it is truly an innovation. These stations are highly relevant to government's rangeland management policy, involving closing and fencing of rangelands while promoting sheep-raising in shelters. Village veterinarians are trained and provided with facilities for artificial insemination, which has resulted in more than a doubling of sheep productivity. Service charges sustain the centres.

216. In ECPRPNS demonstration plots were organized on the fields of very poor farmers, making the demonstration relevant to other poor farmers. This was a departure from the tradition of using the better-off lead farmers as demonstrators, which often hindered poor farmers in replicating the demonstration, as they did not have the skills and financial resources of the demonstration farmer. This eye-opening innovation was later replicated in other places, amongst others in Guangxi.

217. Crops, varieties, and crop and livestock husbandry practices which are new to the local areas have been introduced in most of the projects, using demonstration plots and extension services. In SGPRP, the "double ridges plastic film fully mulching technique" was first researched for its local applicability, then piloted and subsequently promoted and scaled up. By 2012, it was applied on 126,000 ha of

[49] The CPR rated innovation as moderately satisfactory (4) and scaling up as moderately unsatisfactory (3) while the composite rating of the two areas together was rated moderately unsatisfactory (3).

maize, providing an average increase in yield of 30 per cent and on 20,000 ha of potato, with an average yield increase of 20 per cent.

218. In some cases, the introduction is initiated by government agencies while in other cases the introduction is done by farmers or others and then scaled up by the extension services. For example, a well-off farmer in Guangxi has introduced Chinese purple yams from Guangdong, and local project staff in GIADP have identified that this crop would be feasible to produce for poor smallholders, and is also profitable. It is now being promoted and adopted among poorer farmers, who often achieve a life-changing increase in income.

219. In many cases an innovation emerges in response to a concrete problem encountered during implementation. In Ningxia (ECPRPNS), the health component for women included health education and treatment of reproductive tract infections (RTIs), planned to be carried out at township hospitals. However, because it was difficult for women in remote areas to travel to the hospitals, a health service vehicle was procured to provide not only health education and RTI treatment, but also to carry out health check-ups in remote villages. This innovation was replicated in non-project areas, particularly with Ningxia.

220. Within the support for rural finance, some new pro-poor loan products have been developed by the RCCs and in Chongqing, an innovative solution to reaching remote villages at a low operational cost was introduced by creating a network of farmer credit agents who acted as credit brokers between the RCCs/RCBs and the borrowers.

221. Overall, this CPE agrees with the CPR on rating the performance on innovations as moderately satisfactory (4). This rating in the satisfactory level is largely thanks to innovations introduced by implementers, stakeholders and beneficiaries during project implementation.

222. **Scaling up.** Innovations may spread though market mechanisms, by word of mouth or they may need facilitating support in order to be scaled up. Even in the private sector sphere, markets alone seldom spread a new product; major promotional campaigns are required to convince consumers to buy a new product. Unlike a private company's marketing department which is rewarded for increases in market shares, there is no reward or other incentives for achieving scaling up for IFAD, its partners or their staff.

223. As indicated from the examples above, there are some cases where an innovation is scaled up within the project area or in the vicinity within the project province, but cases where an innovation travels across provincial borders and is scaled up in large parts of the country are difficult to identify. Apart from lack of incentives, there may be many other reasons why scaling up has been limited.

224. First, projects and their M&E systems seldom give special treatment and attention to innovations, which are monitored in the same way as standard activities. "Innovation" implies a departure from the known and existing, which is what human nature generally prefers, and therefore people need convincing evidence before considering adopting an innovation. Such would include analysis of a more scientific nature (e.g. comparison of the "with and without the innovation" situations) as well as independent analysis. Furthermore, the potential and feasibility of scaling up needs to be assessed. There are many examples of innovative ideas that worked well on a small scale but not on a large scale. And vice versa, failure on the small-scale level may not exclude success on the large scale.[50] In turn, this requires that projects have budgets to contract such studies.

[50] As an illustrative example: introduction of 10 power tillers into a remote area may fail because with so few it is not attractive for maintenance/repair companies to establish a local branch to provide spare parts and maintenance services. However, if there were 3,000 power tillers they would do so.

225. Second, the IFAD project is subnational and financed by increased debt of the subnational government, which rightly may ask why it should take on more debt to finance activities that benefit other provinces and regions. Its primary focus is understandably on the project and the areas within its boundaries. Nevertheless, two projects (IMARRAP and DAPRP) have included budget for knowledge management, but utilization of these budgets is below expectations, according to supervision missions.

226. Third and very important, in the current partnership structure there is lack of government technical partner which can capture an innovation at province/county level, assess it and promote it more widely. The importance of having national technical partners to capture innovations and scale them up is illustrated by the development and scaling up of the technical envoy system (see box 1).

Box 1

The technical envoy system – an example of innovation and scaling up

In 1999, farmers in Fujian province, who frequently face adverse weather conditions, complained to the government about their production problems. In response, the local department/bureaus of science and technology (DOST/BOST) posted technical envoys, technical specialists from an agricultural research institute or similar, to stay and work with the farmers. The focus of the technical envoys was to raise the farmers' income, i.e. taking account of the market, and not just the production which traditionally was the focus of agricultural extension staff. The results were encouraging and in 2002 this success was recognized by the central Ministry of Science and Technology (MOST), which decided to scale up the experiment in Western China and Inner Mongolia. In 2005, the technical envoy system was expanded into the eastern parts and in 2007 it achieved nationwide coverage. By 2011, there were 240,000 technical envoys and the number continues to increase.

In the piloting and scaling phase, MOST received support from UNDP, which financed pilots in 30 counties in 2006, but more importantly, provided research and evaluation to assess the impact. This independent assessment confirmed its success, establishing the basis for further support. For example, support for the technical envoy system has been included in recent IFAD projects. During the scaling up, the model was modified and refined. In the first phase (2002-2007), the technical envoys were paid by the institutes to which they belonged. However in 2007, it was agreed that – apart from some government-paid subsistence allowance – the technical envoys and beneficiary farmers would sign an agreement specifying the share of the technical envoy in incremental income (and potential loss). Thus, the technical envoy needs to ensure that the production is viable and that there is a market for it. Furthermore, the process at province and county level for screening and selecting technical envoys was further refined and today also advanced farmers can become technical envoys. The system is likely to develop further. Some technical envoys have gone private and established enterprises and there are plans for setting up a technical envoy association. With stronger cooperatives emerging, there could also be the possibility that cooperatives contract and employ the technical envoys.

Some of the UNDP staff members involved in the piloting phase were later posted to Ethiopia and Sri Lanka where they advocated for the system. It is expected that financial support will be obtained from the Bill & Melinda Gates Foundation to introduce the system in these two countries, i.e. international up-scaling.

Source: Interview with China Rural Technology Development Centre of MOST and Technical Working Paper for the CPE, by Dr Jian Xiaoying.

227. The ultimate borrowers of IFAD loans will continue to be the subnational governments, which therefore also will be responsible for implementation. Thus, loans for subnational governments cannot be used to finance the costs of MOA, technical guidance, nor assessment and scaling up of innovations from IFAD-supported projects. In this regard, the State Council Leading Group Office of Poverty Alleviation and Development (LGOP), which at present serves as the occasional resource institution on rural poverty reduction strategies in the IFAD-China partnership, could play an active role.

228. For agricultural marketing, MOA has a well-established arrangement with the Ministry of Commerce, which also could be useful for the IFAD portfolio, given its new focus on agricultural value chains and marketing cooperatives. If IFAD re-engages in rural finance on a more continuous basis, it would also be relevant to re-establish a more formal and permanent partnership with CRBC.

229. **Summary.** This CPE agrees with the assessment of the CPR that performance in the area of scaling up has been moderately unsatisfactory (3), but the CPE believes that the composite rating for innovation and scaling up should be moderately satisfactory (4) and not moderately unsatisfactory (3), as suggested by the CPR. The reason is a more positive assessment of innovations, also considering the ratings of this criterion provided by three IOE evaluations (QMAPAP [4], WGPAP [5], and RFSP [5]).[51]

230. However, scaling up is the area within the portfolio that requires most attention and where there is room for improvement. In particular, more efforts will need to be made to ensure successful innovations promoted through IFAD operations can be scaled up beyond individual provinces for wider impact on rural poverty across the country.

231. The CPMT is aware of the challenges in this domain and has taken various initiatives. In 2013, a consultant from the Brookings Institution was contracted to inter alia train IFAD project staff "to help them to start thinking about how to integrate scaling up into project design, monitoring, implementation and follow-up"; and sketch a general road map of how scaling up can be integrated into IFAD's activities in China. Furthermore, IFAD's Country Office has recently been strengthened on the dimension of knowledge management and M&E and various pathways are used to promote scaling up, including PMO presentations at annual IFAD country meetings and organization of visits by government leaders to successful project villages.

Gender equality and women's empowerment

232. In the early 2000s, IFAD's support for women's empowerment was primarily through training delivered by the women's federations. Project evaluations and completion reports indicate that this training had a positive impact and was appreciated. The training included literacy programmes, technical training and education on health and nutritional issues. Technical and skills training was often designed to promote income-generating activities, which were supported by microcredit programmes managed by the women's federations. In some cases, e.g. West Gansu, the support also helped women to obtain a higher status in the family and more actively participate in economic activities. In Ningxia (ECPRPNS) the total number of direct beneficiaries for the programme recorded at 419,661 persons, of which 248,458 or 59 per cent of them were women and more than 20,000 persons, 80 per cent of them women, have taken part in literacy courses as at end 2009. In the SGPRP the total number of direct beneficiaries for the programme recorded at 373,016 persons, of whom 220,770 or 59.2 per cent were women and about 198,000 or 53 per cent ethnic minorities including Huizu, Dongxiangzu and

[51] In the past, IFAD/IOE provided only composite ratings for "innovation and scaling up". Only recently IOE has introduced a separate criteria for innovation and scaling up.

Baoanzu. The RCCs delivered a total of 18,719 programme loans, 45 per cent of which went to women.

233. Women mainstreaming has been a key concern in the COSOPs, and the 2005 COSOP highlighted the growing feminization of agriculture. In 2009, a manual for Gender Mainstreaming in IFAD-supported Projects in China was developed. In the 2011 COSOP, gender mainstreaming is one of the key cross-cutting issues.

234. The China Country Programme Review 2010 noted that IFAD's projects have been a strong voice for "attention to women" throughout the period studied by the CPR and have made a significant contribution toward this goal. The consistently strong emphasis on targeting women, monitoring women's participation, the impact of project activities on women, and the specific problems faced by poor rural women are powerful examples of relevance in three key respects: alignment with government policy, alignment with IFAD's global priorities and, most of all, alignment with the needs of the rural poor. The CPR noted some risks in the frequent implementation of stand-alone women's components, which at times may have had the unintended result of pigeonholing women in less lucrative income-generating activities, and of fostering a perception of women as a weaker population group. The CPE concurs with the CPR findings in these respects, and the CPE takes notes of the recent development of women's strong involvement in income-generating and business development activities.

Box 2
Microcredit for women in Inner Mongolia - IMARRAP

In Inner Mongolia, Xishanding Village, the women's federation, with support from IMARRAP, has provided loans to women since 2010. The principal activities funded are livestock production (sheep, poultry, pigs). The amount of each loan is around 3,000 RMB, with repayment periods of 1 or 3 years and an annual interest rate of 7 per cent. All the beneficiary and women's federation representatives confirm that loan repayments are timely and thanks to the credit, the farmers can buy and sell more animals as well as increase their income. An example is Ms Wu Gailian, a 59 year old farmer, who received a loan from women's federation for 3 years for buying and raising pigs. In 2009 she had 30 pigs, and in 2013 she has a total production of 70 pigs. She has repaid the loan on time and has asked for a bigger loan.

Source: Information collected by the CPE team during field visit.

235. The innovative features of the support for women's empowerment are mainly related to: women's credit schemes and the village/community development funds as well as the support for women's participation in business and value chain development. For example, SGPRP supported and organized sales and promotional fairs for marketing products produced by women. Some initiatives were replicated and scaled up beyond the project counties. For example, microcredit to women in business supported by ECPRPNS and the loan for migrant workers and the farm product loans supported by RFSP were replicated and scaled up by financial institutions. The overall rating for gender equality and women's empowerment is satisfactory (5).

D. Overall achievement

236. The performance of the portfolio during 1999-2013 is assessed overall as satisfactory (5). In fact, 100 per cent of projects evaluated by the CPE in China are moderately satisfactory or better in terms of *overall project achievement*, as compared to 83 per cent of projects evaluated by IOE in the Asia and Pacific region between 2002 and 2012. Moreover, table 10 below shows how: (i) project performance in China compares with IFAD-financed projects in all regions using the various evaluation criteria adopted by IOE; and (ii) ratings of projects by each evaluation criteria in China compare with the average ratings of projects in the Asia

and Pacific Region. On both these accounts, on the whole, projects in China fair more favourably.

237. The strongest contributors in China include a generally high achievement of targets, and the contributions to sustainable improvements in household income and assets as well as in food security and agricultural productivity. The impact on developing sustainable rural organizations is moderately satisfactory, while the influence on government policies and institutions at the national level has been less prominent as compared to the sub-national level. High priority should be given to improving the fragmented contributions to innovation and scaling up, which by the partners is considered as one of the most important aspects of the partnership. Moreover, added attention will be needed to promoting sustainable rural financial services, to ensure poor people have access to capital for productive as well as consumption purposes.

238. To conclude, one final remark of caution. The assessment in this chapter may appear to point to the conclusion that the comprehensive support menu of the older projects from the IFAD-WFP period provided the most significant impact and therefore should be continued. However, the context then and today is completely different, partly because the socioeconomic conditions in most villages have changed, often dramatically, and partly because of Government's new large rural poverty reduction programmes. Thus, the rural poverty challenges are different today and so is IFAD's relevant niche.

Table 10
CPE ratings of the project portfolio, compared to the performance of IFAD operations in all regions and in Asia and Pacific in particular

Evaluation criteria	*CPE portfolio assessment*	*Percentage of projects in the portfolio with a moderately satisfactory (4) or better rating*	*Percentage of IFAD projects in all regions with moderately satisfactory (4) or better rating*	*Average rating of IFAD projects in the Asia and Pacific Division*
Core performance criteria				
Relevance	5	100	93	4.8
Effectiveness	5	100	72	4.3
Efficiency	5	91	56	4.0
Project performance	**5**	**100**	**78**	**4.3**
Rural poverty impact	**5**	**100**	**76**	**4.3**
Household income and assets	5	100	79	4.5
Human/social capital and empowerment	4	89	75	4.3
Food security and agricultural productivity	5	100	75	4.3
Environmental sustainability and natural resources and climate change	5	100	60	4.0
Institutions and policies	4	78	64	4.1
Other performance criteria				
Sustainability	5	100	53	3.8
Innovation and scaling up	4	89	72	4.2
Gender equality and women's empowerment	5	100	81	4.3
Overall project portfolio achievement	**5**	**100**	**75**	**4.3**

Rating scale: 6: highly satisfactory; 5: satisfactory; 4: moderately satisfactory; 3: moderately unsatisfactory; 2: unsatisfactory; 1: highly unsatisfactory.
Note: Thirteen projects approved by the Board in China from 1999 onwards were rated by the CPE. Their ratings have informed the consolidated rating by criteria in the second column (CPE portfolio assessment) of the above table. The data in the last two columns is drawn from IOE's independent evaluation database of all ratings: http://www.ifad.org/evaluation/arri/database.htm.

Key points

- The evaluated portfolio is assessed overall as satisfactory (5) on the core performance criteria, i.e. relevance, effectiveness and efficiency.
  One hundred per cent of projects evaluated by the CPE in China are moderately satisfactory or better in terms of *overall project achievement*, as compared to 83 per cent of projects evaluated by IOE in the Asia and Pacific region between 2002 and 2012.
- Projects have overall achieved their objectives and targets though after a slow start-up.
- Rural poverty impact is overall satisfactory, with the most important contributions in the domains of household income and assets and food security and agricultural productivity. While achievements on gender equality and women's empowerment have been satisfactory, there is room for improvement in the domains of human/social capital and empowerment. Impact on institutions and policies has overall been more limited (though overall moderately satisfactory).
- Sustainability is satisfactory overall, largely due to strong institutions and the priority given to rural poverty reduction in government budgets. Challenges remain within rural finance and development of pro-poor cooperatives and value chains.
- Innovation and scaling up is assessed as only moderately satisfactory. A number of innovations have been introduced, often during project implementation in response to emerging challenges and opportunities. However, M&E systems seldom single out innovative interventions, scientifically documenting their costs and benefits. There has been some scaling up within project areas and provinces but only rarely are innovations spread and adopted beyond the project provinces, mainly because of absence of a national technical partner to capture, test and verify, and scale up the innovation nationwide or where relevant.

V. Performance of partners

239. The performance of partners is important, as their contribution is fundamental in, inter-alia, project design, supervision, implementation, and monitoring and evaluation. This chapter therefore assesses the performance of partners in their different roles in delivery of the loan portfolio. As per IOE methodology, only the performance of IFAD and the Government have been rated, which does not cover an assessment of IFAD and Government in non-lending activities. The latter is included in the next chapter.

A. IFAD

240. The partnership between IFAD and China has been developing during 1999-2013, with the establishment of an ICO in 2005, direct supervision and implementation support as from 2008, and a number of changes in its global business model. The strong operational partnership between IFAD and WFP, where the two organizations parallel-financed projects during 1997-2005, meant that IFAD, through WFP's large country office at the time, had some kind of local presence, also before the establishment of the ICO. While IFAD delegated project supervision to UNOPS until 2008, the WFP office also followed the current developments in the projects until 2005 when Government decided to become a donor to WFP instead of a recipient.

241. The design process of IFAD-supported projects in China has been through contracting a core team of Chinese consultants, with ad hoc participation of international expertise. Subnational governments also participated in the design, but it would seem that the model or frame had been given in advance, in view the fact that the project designs in three different periods is very similar, apart from the two outliers, RFSP and SPEARP (see chapter III). MOF comments in the Self-Assessment prepared for this CPE that "IFAD should strengthen the field research and consultation with local governments before designing projects to take full consideration of local specific situation."

242. WFP and IFAD parallel-financed four projects during 1999-2005 but often there was a lack of synchronization as the effectiveness of IFAD's support was delayed, in the case of SGPRP with the consequence that IFAD started disbursing when WFP terminated its financing. The stakeholder workshop for QMAPAP in Shaanxi province noted:" The late start of IFAD (2003) reduced the possible synergy with WFP". Since then IFAD has reduced the amount of time from Executive Board approval until loan effectiveness.

243. The move to direct supervision and implementation of projects in China has proven to be excellent (which resulted in discontinuing the collaboration with UNOPS in supervision activities). Among other advantages, it has allowed IFAD to have greater hands-on experience and respond more rapidly to implementation issues, as well as acquire a better understanding of the country's policy and institutional context in general.

244. IFAD also makes use of a proven team of Chinese consultants for supervision who provide effective and professional support. Training is also provided to project staff, but some have underlined that external consultants contracted by IFAD occasionally have different perceptions about IFAD rules and procedures, which may impact on the compliance with IFAD policies during implementation. There is room for improvement, in particular to help the projects in the start-up phase where the subnational government staff are not familiar with project design and IFAD procedures and regulations.

245. The establishment of an ICO has also been a very important step in the Fund's business model in China. Staffs in the country office have discharged their functions in a professional manner under the supervision of the CPM in Rome. The country office has contributed, inter alia, to closer follow-up and monitoring of implementation, quicker response time to emerging issues, and generally better dialogue with development partners. However, the country office includes only national staff, and the lack of international staff with seniority has restricted some objectives of the COSOPs. One example is partnerships and cofinancing with multilateral and bilateral organizations, which could be strengthened by having a permanent presence in Beijing – i.e. out posting of the IFAD CPM for China in the future. Discussions are on-going for the signing between IFAD and China of a host country agreement, which would facilitate the out-posting of the CPM.

246. A special feature in China is that an evaluation workshop is normally organized at the completion of project implementation, in which stakeholders, and sometimes beneficiaries, are invited to give their views on different aspects of the project, including IFAD's performance. In SGPRP, 93 per cent of representatives from relevant agencies were very satisfied or satisfied with the performance of IFAD.[52] "Nevertheless, the stakeholders expressed that IFAD's requirements for disbursement of WA seemed too complicated and in some cases took too long, which could be improved by shifting its role from "controlling" to "facilitation". With respect to M&E, PMOs generally find it difficult to implement the RIMS in the Chinese context and they consider the RIMS too different from the Chinese M&E practices.

247. Similar observations are made in other PCRs. In ECPRPNS, 89 per cent of the stakeholders were very satisfied or satisfied with IFAD's performance but raised the same issues as above on financial management, procurement and M&E. The stakeholders praised IFAD for its poverty and gender strategies and for its guidance on lending to the poor and women which had created a more favourable attitude among the RCCs. In QMAPAP, PMOs in Shaanxi province commented that "IFAD is very far away", communications not always sufficient and that they need local training in project management, M&E and RIMS. This is another example why the

[52] IFAD (2012) Project Completion Report: South Gansu Poverty Reduction Program. Report No. 3185-CN. November 2012.

CPE believes the out posting of the China CPM to Beijing would further enhance the Fund's operating model in the country.

248. In its self-assessment, MOF appreciates IFAD's alignment to country policies and strategies but encourages IFAD to further use China's country systems in project implementation. It also notes: "disbursement is quite slow, reducing the efficiency and effectiveness of projects". However, while this criticism may justifiably be addressed to IFAD in some cases, there are also reportedly cases where delays are due to the fact that the projects fail to provide the required documentation.

249. Overall, though there is room for some systemic improvements, IFAD's overall performance, with limited resources, is assessed as satisfactory (5).

B. Government

250. **Coordination with the Government.** IFAD collaborates with a range of government partners at national and local administrative levels. The Ministry of Agriculture had been the counterpart ministry of IFAD until 2004 when the responsibility was transferred to the MOF. Since then, MOF has maintained close dialogue and cooperation with IFAD. Despite the fact that IFAD is not a major donor in terms of the volume of financial resources and therefore the transaction costs of its partnership with IFAD are comparatively high, the International Department of MOF has been very supportive of IFAD's engagement in China's rural and agricultural development and has also provided valuable support to all the independent evaluations conducted by IFAD in the country.

251. Moreover, MOF has been instrumental in ensuring that China, as an important representative of IFAD's List C member states, actively participates in IFAD governing body discussions and other internal platforms on development and organizational issues. On a related matter, for the first time since the establishment of IFAD, China has permanently located its Executive Board Director (from the MOF) in Rome since early 2013. The Board Director is pro-active and the CPE believes this has contributed to further enhancing dialogue with IFAD in general and the participation of China in several key institutional processes. The Government has also shown its support to the organization at the corporate level, through increased intellectual and financial contributions to IFAD's periodic replenishment processes.

252. NDRC is the Government's macroeconomic management agency, with main responsibilities for policy formulation, national development projects planning and approval. In line with its mandate, the NDRC is responsible for determining the priority provinces or regions for IFAD investments and also provides guidance on project strategies. NDRC generally attempts to distribute IFAD and other international development resources equally among the poor provinces. However, in order to ensure smooth project implementation and maximum development impact, priorities are given to provinces or regions, in particular those that are able to provide adequate counterpart funding.

253. LGOP is a leading coordinating agency and a think tank on the Government's poverty reduction strategies and programmes. It is involved in IFAD-funded projects on an ad hoc basis, mainly by providing policy advice. At the provincial and country levels, LGOP is an important stakeholder for both counterpart funding contribution and policy dialogue through participation in the project steering/coordination bodies.

254. The Government has shown keen interest in evaluation activities more broadly and also strongly supported IFAD's independent evaluation function in general and its activities in China in particular. The MOF and IOE signed a Statement of Intent in September 2013 for evaluation capacity-building in China, and a number of activities are being implemented in this context. Over the years, IOE has been invited by the MOF to organize dedicated training in evaluation methods and

processes for a range of institutions in the country. The Government itself is devoting attention in measuring results and drawing lessons, and one example of this, is a very good impact evaluation of a number of IFAD-funded projects done recently by a Chinese Professor. Finally, on the whole, the quality of project completion reports prepared by the Government is good.

255. **Subnational activities.** At the subnational level, it is usually the departments/bureaus of agriculture which are responsible for project implementation. They also assign staff to PMOs for the implementation of IFAD supported projects. Implementation responsibility for project components is often assigned to the relevant implementing agencies. For example, the construction of roads would be the responsibility of the department of transport, provision of drinking water would be within the overall responsibility of the department of water and so on. At provincial and county levels, it is established practice that a PLG (steering/coordination committees) is set up, which includes participation from NGOs, such as the local Women's Federations and in some cases, RCCs. There appears to be a strong sense of project ownership in this subnational implementation structure, which overall functions satisfactorily.

256. Overall, the stakeholder/beneficiary workshops held at project completion provided a positive assessment of the performance of MOF PMOs, PLGs and implementing agencies. It is however recognized that time is necessary before the PMOs effectively perform their management functions and the PLGs coordinate effectively. In the SGPRP workshop, 91 per cent of representatives from stakeholder agencies were either highly satisfied or satisfied with the performance of PMOs, while 92 per cent of stakeholder representatives and 96 per cent of farmer beneficiaries were highly satisfied or satisfied with the performance of implementing agencies. A similar picture is found in the completion workshops for other projects.

257. At the provincial and county levels, the departments/bureaus of commerce and the departments/bureaus for township and village enterprises could be included, at least in the PLGs, to strengthen efforts to promote pro-poor value chains and commercial cooperatives.

258. **Counterpart funding.** Going back to the first project in 1981, it is a common feature that the Government’s counterpart funding in China has been significantly higher than IFAD’s financing and constituted around 50 per cent of the total portfolio cost. Counterpart funds are provided in a timely manner, which is one of the main contributing factors for successful project implementation. For all approved 27 projects, including the most recent 13 projects covered by the CPE, IFAD financing constituted an average of 40 per cent of total project cost. IFAD’s share of total project costs was in particular low (27-36 per cent) in the IFAD-WFP period.

259. Overall, the performance of Government is assessed as satisfactory (5). Government has provided high levels of counterpart funding, and ensured good support to project design and timely implementation of IFAD-funded projects. This is supported by general high target achievements in the projects (chapter IV) and also by positive assessments of stakeholders and beneficiaries in the completion workshops.

C. Other institutions

260. **All China Women's Federation (ACWF),** and its Women's Federations at the subnational level, was a partner and implementing agency, with budget allocated to implement up until the last three approved projects, where the Women's Federations became stakeholders with participation in the PLGs, but with no budget to implement. As the implementing agency, the Women's Federations implemented adult literacy and technical training for women and operated revolving funds for microcredit to women. Overall, the stakeholder/beneficiary workshops have

appreciated the performance of the Women's Federations, and the IOE evaluation of QMAPAP rates their performance as satisfactory (the only IOE rating of ACWF).

261. While **rural credit cooperatives (RCCs)** were main partners until 2008, the last three approved projects had no support for rural finance and cooperation with RCCs. Overall, RCCs have had a mixed performance, in some cases serving the poorer households, in others not. The QMAPAP stakeholder workshop in Shaanxi province found that though the PMOs had trained poorer households to become creditworthy clients, many were refused. "The resulting targeting was biased towards middle-income households, the traditional RCC clients. The additional IFAD funds thus did not focus on poorer households."

262. The problem with the IFAD-RCC cooperation during that period was that while IFAD tried to persuade RCCs to lend to poorer households, the RCCs were at the same time forced into a financial consolidation process, reducing risks and moving up-market. The IOE evaluation of QMAPAP rated the performance of RCCs moderately unsatisfactory (3), but the RCCs appear to have had a better performance in other projects, e.g. SGPRP and ECPRPNS.

263. **World Food Programme** had been an important partner for IFAD until 2005 and its support was the basis for the project model pursued at the time, including the targeting and participatory approaches. While WFP usually is credited for the introduction of the VAM as a targeting methodology, the completion report of QMAPAP warns about the risks of this methodology: "IFAD should target poor villages with potential economic capacity, rather than these very remote and very poor ones with only some old people left at home, such villages would be gradually abandoned later. Therefore, the VAM methodology for targeting should be changed/replaced by new methods with appropriate indicators." The IOE evaluations of QMAPAP and WGPAP rate WFP's performance as satisfactory and this is generally echoed in the project completion stakeholder workshops.

Key points

- Performance of IFAD and Government in portfolio delivery is assessed as satisfactory overall. This finding is also supported by views expressed by stakeholders and beneficiaries at workshops organized at completion of projects.
- The introduction by IFAD of direct supervision and implementation support, and the establishment of the ICO in Beijing are very important changes to IFAD's operating model in the evaluated period. Project design has been participatory, including the use of national consultants.
- The CPE believes there is a need for strengthening further the IFAD country office to play a wider role, in particular with the out posting of the China CPM to Beijing. The CPE is aware that discussions are on-going to sign a host country agreement between IFAD and China, which would facilitate the out-posting of the CPM. This is a step in the right direction.
- The Government of China, in particular the Ministry of Finance, has maintained a close dialogue with IFAD since the early 2000s, and provided a significant amount of counterpart funding to IFAD-supported projects. It has also increased its intellectual and financial contributions in IFAD replenishment processes.
- The location in Rome in 2013, for the first time, of the China Executive Board Director to IFAD is a good step. This is contributing to strengthening relations and participation in key corporate fora.
- Government departments at the provincial and lower levels have provided the required support for design and implementation. There are opportunities for IFAD to strengthen partnerships with the Ministry of Agriculture at the national level. Project management has been good with steady progress in implementation.

VI. Assessment of non-lending activities

264. Non-lending activities refer to IFAD's engagement in policy dialogue, knowledge management, and partnership building, as well as the use of grants. Over the years, IFAD has been increasingly engaged in non-lending activities in China to ensure a wider impact on rural poverty, though there is room for further improvement.

265. In assessing the non-lending activities, the CPE examines the relevance of what IFAD planned to do, as stated in the respective COSOPs, and the effectiveness of the various non-lending activities (that is, what was actually achieved). Finally, the chapter ends with a brief assessment of selected grants executed by agencies other than the Government.

A. Policy dialogue

Relevance of policy dialogue

266. The CPE finds that COSOPs address policy dialogue in different ways. The 1999 COSOP presents a policy dialogue agenda comprising specific issues and goals, mostly related to the lending programme. Three focus areas were cited: strengthening linkage with the Poverty Alleviation Office; consolidating the use of RCCs for rural finance; and supporting decentralization at the grassroots level. Using rural finance as an example, the goals of policy dialogue included consolidating the use of RCCs as MFIs in rural areas; reduction of interest margins charged by different levels of government when passing on the IFAD loan to the RCCs; and working with the RCCs to increase their lending to poor households. Progress on these ambitions was largely achieved.

267. The 2005 COSOP highlighted policy dialogue as a priority, and underscored the importance of undertaking policy dialogue on the basis of experiences obtained through the lending programme. The main focus areas included enhancing access to land, addressing gender imbalances, improving social services and expanding access to extension and financial services. However, the approaches were limited to the organization of workshops and dissemination of project-supported studies. Building partnership with national research intuitions and like-minded donors was cited as a means to enhance IFAD's capacity to engage in dialogue with the Government. Overall, despite being a priority, policy dialogue was not an area of substantial activity, also because limited resources were earmarked for this area.

268. The 2011 COSOP did not have a section entitled "policy dialogue"; instead it has a section on "policy linkages", in line with IFAD's corporate template for results-based COSOPs. As in 2005, the emphasis is on knowledge cooperation, where IFAD will collaborate with central and provincial governments "by providing discussion inputs and assisting setting up discussion forums and South-South seminars, with the clear understanding that policy making is an exclusively national responsibility". Thus, the 2011 COSOP does not explicitly state that it would contribute to policy development in the agriculture and rural sectors, even though attention to knowledge management and South-South cooperation contributes towards policy development in the smallholder agriculture sector. The priority themes for knowledge management and scaling up included enterprise development, sustainable farming, and agriculture and rural service support. As a specific goal, the COSOP referred to ensuring the integration of IFAD-supported projects into the local rural economic development plans. Some progress has been achieved, inter alia, on South-South cooperation and knowledge management, but more can be achieved in these areas.

269. **Effectiveness.** IFAD has maintained strong partnerships with key central government institutions responsible for policy formulation, such as the Ministry of Finance and the National Development Reform Commission. Through constant dialogue, it has managed to share experiences from operations, which have

contributed to debate on key policy issues. But on the whole, IFAD has focussed mostly on area-based projects at the provincial level, and its engagement with Government or other donors in policy development has been limited at the national level, partly also due to the absence of the permanent presence of the IFAD CPM in China.

270. On the other hand, IFAD has attempted to undertake policy dialogue with local governments, using IFAD-supported projects as the platform. Some results are visible at the local level, such as the scaling up of the participatory VDPs in government programmes, which were first introduced in IFAD-funded projects. The RFSP was the only project in the portfolio designed with a specific component for policy development. But, it did not achieve its goal in further policy changes in the rural finance sector.

271. IFAD has implemented a total of three country grants in support of rural finance, which have "policy features" (annex III, country grants no. 3, 17, 22). A study on biofuels (see section D) can also be classified as policy work. The consultative processes related to the PBAS assessment and COSOP preparation also serve as the forum for exchanging views and undertaking dialogue on policy issues relevant for rural poverty reduction.

272. Based on the progress achieved against what has been planned, policy dialogue for the China country programme is rated as moderately unsatisfactory (3).

B. Knowledge management

Relevance of knowledge management

273. At the time of preparing the 1999 COSOP, knowledge management was a relatively new concept, and it is therefore not surprising that the COSOP has no reference to knowledge management. Some years later, knowledge management was included in the Asia and the Pacific Regional Strategy[53] and subsequently, the Electronic Networking for Rural Asia/Pacific (ENRAP) was introduced (later replaced with APR's website). In 2007, the Executive Board approved the IFAD Strategy for Knowledge Management with the objective to improve knowledge sharing and learning, both within IFAD and with IFAD's partners. Knowledge management is now a standard element of the country programme management processes.

274. Though knowledge management does not appear in the text, the 1999 COSOP lists a number of planned knowledge management products and activities and in some cases assigns grant resources (e.g. a grant of US$100,000 for VAM related activities). The COSOP states that it will mobilize IFAD grants and grant resources from bilateral donors and United Nations agencies for a number of knowledge products and for piloting activities as part of the introduction of innovative approaches, including: (i) publication on IFAD in China; (ii) introduction of log frame in project management; (iii) applied research on organic farming; and (iv) studies on gender issues.

275. The 2005 COSOP does not have a special section dedicated to knowledge management but introduces several related activities, such as improving M&E systems using RIMS, now also facilitated by the establishment of the country office, viz. "…the field presence will assist in knowledge management and ensure that lessons learnt feed back into programme design and implementation." And furthermore, the following ambitious statement: "The field presence will also be one of the instruments used to monitor IFAD's catalytic role for scaling up innovative poverty reduction approaches in rural development programmes and related policies." However, these general statements on intentions are not supported by more concrete plans and budgets for knowledge management, which one would expect given that the COSOP defines two strategic thrusts: (i) access, including access of rural poor to knowledge and information; and (ii) innovation.

[53] Available on http://www.ifad.org/operations/regional/2002/pi/pi.htm#e.

276. The 2011 COSOP gives priority to knowledge management in one of its three strategic objectives: "Enhanced South-South cooperation and knowledge management provide opportunities of sharing knowledge generated from innovation and scaling up good practices in rural development". Means of achieving this objective include establishment of knowledge-sharing platforms and networks and organization of South-South events. The COSOP dedicates a section to knowledge management and presents a plan for the purpose, stating as an objective that ongoing and new projects will adopt a knowledge management agenda. Key elements of the China knowledge management strategy include: "(a) establishment of an M&E framework and MIS to provide information and analysis of progress achieved against log frame indicators and annual work plan and budget; (b) implementation of RIMS; (c) routine conduct of planning and review meetings and M&E workshops at various levels; (d) use of available means of media and existing sector reports to share knowledge experience and innovative initiatives and success; and (e) regular conduct of workshops to consolidate sound experiences and lessons learnt…".

277. Many of these interventions involve costs, but the COSOP does not indicate any approximate cost figures, and how financing will be mobilized; this would also require outlines of activity plans for each of the interventions. Given that knowledge management and South-South cooperation is elevated to a strategic objective in the 2011 COSOP, it would have been relevant to indicate in more detail (also in the results management framework) the activities, inputs and costs, and budget and financing to meet the stated objective.

Effectiveness of knowledge management

278. Over the evaluated period there has been a gradual intensification and expansion of knowledge management activities and outputs, and it would be problematic to assign effectiveness/achievements to each COSOP and the individual COSOP periods. M&E systems in the projects gradually improved over the period – the establishment of the ICO in 2005 and the introduction of RIMS were instrumental in this improvement process. The recent expansion of the ICO with a dedicated officer who has specific responsibility for knowledge management and M&E promises future improvements. In 2009, IFAD and the Government of China initiated their collaboration on South-South cooperation, supported by a grant. A subsequent grant continuing the support for South-South cooperation is reviewed in section D below.

279. A knowledge management strategy with assigned budget was introduced in the Inner-Mongolia Programme (IMARRAP) approved in 2007, and the Dabieshan Area Programme (DAPRP) approved in 2008. However, the 2012 MTR of DAPRP found that knowledge management had not been managed as planned, and rated innovation and learning as moderately unsatisfactory. It seemed that knowledge management was not a priority for the PMO. The 2011 MTR of IMARRAP found that knowledge management had improved, but knowledge and experience sharing at the implementation level, particularly between implementing agencies, needed further strengthening.

280. In general, many PMOs play an essential role in knowledge management in terms of capturing and documenting useful lessons and innovations, and sharing these through workshops, publications or other means. Some projects have done better than others, with good examples to follow from WGPAP andSGPRP. WGPAP issued two publications to demonstrate project approaches and results,[54] while SGPRP opened a "SGPRP window" on different websites of provincial government agencies.

[54] (i) Guangxi Administration Centre of Foreign Funded Projects for Agriculture, 2007.*The Passion and Love to West Guangxi*. Nanning; (ii) Wei Jitian, 2005. *Knowledge and Activities related to the Internationalization of Agriculture.* Nanning: Guangxi People's Press.

281. Moreover, IFAD organizes annual portfolio review workshops that bring together multiple stakeholders to exchange experience and knowledge across projects, and has also used staff in the design and supervision of other projects. In fact, with increasing frequency, many workshops and exchange visits have been organized to exchange experiences and scale up positive experiences and promising innovations between projects, but also among the lower levels of subnational PMOs within the same project, which has helped improve knowledge and understanding of the project and IFAD's rules and procedures. The stakeholder workshops at project completion indicate that workshops and training has made a positive contribution to improving project management, but also that there is need for improving the knowledge and understanding in some technical fields of staff, such as organic farming.

282. IFAD's Asia and Pacific Division has also contributed to improving knowledge management performance. In 2010, in collaboration with the Government of China, the division organized the Annual Performance Review workshop in Nanning with the overall goal to enhance learning and knowledge sharing in various implementation and thematic areas. ENRAP was another initiative, now closed and the information transferred to IFAD-Asia website. ENRAP provided a subsite with information on China projects, with a version in Chinese. Language continues to be a barrier for knowledge sharing, unless funds are provided to translate the English versions into Chinese. In addition to the IFAD-Asia website, IFAD issues an electronic newsletter called *"Making a difference in Asia and the Pacific"* where it is possible to find information on different issues such as green technologies, biogas, women entrepreneurs and rural youth. Finally, there are Occasional Papers on topics such as: remittances, role of agriculture in achieving MDG1 in the Asia and the Pacific region, fiscal stimulus, agricultural growth and poverty in Asia and the Pacific.

283. Overall, for the evaluated period, knowledge management is assessed as moderately satisfactory (4), while recognising that wider efforts have been made since around 2011 in this priority area for the IFAD-China partnership. Nevertheless, in the future, more resources (time and funds) will need to be more explicitly earmarked upfront for knowledge management and South-South cooperation activities.

C. Partnership-building

Relevance

284. The 1999 COSOP was a joint IFAD/WFP strategy and it states that a memorandum of understanding between the two will be developed to formalize the collaboration, including provision for a common strategy and joint project design, implementation and supervision. The COSOP mainly addressed partnership building in a project context. With respect to multilateral agencies, the issue was to avoid duplication and ensure coordination, while bilateral agencies (German, Dutch) were to be approached to mobilize cofinancing. With respect to the international financial institutions (IFIs), it stated: "It is, however, extremely difficult to establish direct collaboration with other IFIs because of different administrative dependency in the government structure."

285. The 1999 COSOP included concrete proposals for partnerships with private international companies (Monsanto, Rabobank and Case Corporation) in the area of microfinance, while appreciating that their interests are commercial and that the interests of the poor need to be ensured. At the time and in the Chinese context, this must be considered an innovative strategy.

286. The 1999 COSOP highlighted the challenges of partnerships with international NGOs, such as Oxfam and Heifer International. "They have been working in splendid isolation" and furthermore the difficulties of building partnerships due to "the very different administrative dependencies for NGOs and other international

assistance agencies, which impede direct collaboration." With respect to national NGOs, caution is also raised: "National NGOs often represent groups related with government officials who set up an NGO… Such NGOs have no constituency, but often have direct access to policy makers."

287. The partnership strategy of the 1999 COSOP was project-focused and cautious rather than ambitious, except for formalizing the IFAD-WFP partnership and developing private-sector partnerships. Partnership with ADB, FAO and World Bank was not a priority.

288. The 2005 COSOP recognizes the termination of the partnership with WFP and "the need to collaborate with an agency such as GTZ[55] (today GIZ) that provides high quality technical assistance." GTZ is singled out as an important future partner for joint project activities and policy dialogue on issues such as rural finance reform, collaboration within natural resources management and structural reform. The COSOP confidently states: "The cooperation with GTZ will assist IFAD in the provision of implementation support." GEF and the Global Mechanism are highlighted as other new important partners.

289. With respect to multilateral agencies and bilateral donors, the 2005 COSOP is much more optimistic than the 1999 COSOP, in particular with respect to partnerships for the purpose of knowledge sharing and policy dialogue: "ample opportunities exist for strengthening the cooperation among donors, especially in knowledge sharing and policy dialogue with the Government." It mentions a number of bilateral donors, such as DFID, as well as ADB as partners in supporting reform of the rural finance sector. With respect to the World Bank, complementarities in microenterprise development are highlighted.

290. The 2005 COSOP does not mention or assess implications of the termination of the long-term IFAD-Ministry of Agriculture partnership in 2004. The partnership with the Ministry of Agriculture is critical for a variety of reasons and their limited involvement in the IFAD-supported country programme needs to be reconsidered in the future.

291. While the 1999 COSOP was cautious, the 2005 COSOP was optimistic, and had unrealistic expectations as to the extent of the partnership with GTZ and the opportunities for joint donor policy dialogue with Government.

292. The 2011 COSOP has a brief and non-specific partnership strategy with some general statements of intent, for example: "IFAD will strengthen institutional coordination in China", participate in knowledge networking and build synergies with other agencies "to leverage available resources and optimally scale-up successful innovations, while avoiding duplication of investments and measures." No agency is singled out and no concrete partnership activities are defined.

Effectiveness

293. Partnership with central government: As mentioned earlier, in 2004, the Ministry of Agriculture was replaced by the Ministry of Finance as IFAD's main national counterpart in China. This is largely because IFAD is (also) an IFI, and the Government considered that IFAD should have the same national partner as the World Bank and Asian Development Bank. IFAD has a strong dialogue with the Ministry of Finance, the National Development and Reform Commission and the Leading Group on Poverty Alleviation and Development (LGOP) at the national level.

294. Apart from the aforementioned, the interaction between the IFAD and other Ministries and institutions in the central government has not been as strong on issues with respect to the country programme, such as project design and M&E.

[55] The German Agency for Technical Cooperation, GTZ, now GIZ, is a German, publicly-supported technical assistance agency which also competes on the international consultancy market with private consultancy firms.

The CPE finds that this is, however, partly limited by the fact that IFAD itself has not actively reached out to other key players in the Government. Regular communication and dialogue has been absent, although some line institutions have been involved in IFAD-supported projects at local levels, but not necessarily at the central level, which to a certain extent, constrained the effectiveness of IFAD's operations, including the formulation of COSOPs and the promotion of innovation and knowledge management.

295. When related to the loan portfolio, IFAD's cooperation with LGOP is primarily with LGOP's Foreign Capital Project Management Center (FCPMC), while for South-South cooperation, the collaboration is with the International Poverty Reduction Center in China (IPRCC), affiliated to LGOP and jointly established by the Chinese Government, UNDP and other international organizations in 2005. While this cooperation functions well, it has to be supported by IFAD financing, as FCPMC and IPRCC have no budget for financing costs of activities in their cooperation with IFAD.

296. Partnership with subnational governments: the partnership with subnational governments is primarily within the context of loan-funded projects. Generally, the Department of Agriculture has been assigned the lead implementation responsibility, and performance has been satisfactory. This tradition was not followed in two recent projects; in XUARMRDP the subnational office of LGOP is leading the PMO, while in DAPRP it is the subnational office of NDRC. These two projects appear to be performing below average, which gives cause to assess whether it is related to the new partnership structure.

297. The PLGs generally perform well in coordinating the various subnational agencies involved in project implementation. However, as highlighted in chapter IV, with the recent focus on developing value chains and commercial cooperatives, IFAD needs to partner with the subnational administrations for industry and commerce, and village and township enterprises and ensure that they are included in the PLGs.

298. Partnerships with international organizations: IFAD was the first IFI which provided concessional financial resources to China (1981) and it is also the first specialized United Nations agency to establish a cofinancing framework with a sister agency (strategic partnership with WFP in 1996). The combined assistance with WFP food aid and IFAD financial resources has proved to be an efficient mechanism, directly assisting an estimated 6.5 million poor people in 11 poverty-stricken provinces. It was also acknowledged that the unique WFP-IFAD partnership had led to greater weight with respect to policy dialogue. As mentioned before, the replication of VDPs is one of the examples benefiting in this process. The WFP-IFAD partnership terminated in 2005, when China became a donor to WFP.

299. IFAD-funded projects in China also benefited from cooperating with some bilateral aid agencies. For example, during RFSP, IFAD cooperated with GTZ providing technical assistance to RCCs, but the partnership with GTZ never developed as envisaged in the 2005 COSOP. During the evaluated period, GEF and WFP were IFAD's main international co and parallel financing partners. However, there was limited cooperation with FAO and other United Nations agencies, and dialogue and cooperation with the ADB and World Bank can be further developed. In fact, there is no cofinancing and little other forms of partnership (e.g. in knowledge management or policy dialogue) with FAO, the ADB or the World Bank in China, an area that needs attention in the future. With regard to the lack of cofinanced operations, this may partly be explained by the fact that Government has its own priorities in terms of division of labour between multilateral organizations, based on their respective comparative advantage and specialization as well as the development requirements of different provinces.

300. Partnerships with NGOs and the private sector: IFAD's main national NGO/private partners have been the All China Women's Federation and the RCCs. This was a

project-based partnership (assessed in chapter V). Partnerships with international NGOs have not developed and the CPE found no evidence that the 1999 COSOP plans for partnerships with large international private companies materialized.

301. Overall, partnership building with partners outside government has been relatively limited and it is assessed overall as moderately satisfactory (4).

D. Grants

302. Between 1999 and 2012, IFAD approved 21 country-specific grants for China with a total amount of approximately US$8.7 million (annex III). Many of these grants supported different stages of the loan project cycle and some were loan-component grants. The largest grant was from GEF (US$4.5 million) supporting ecosystem management linked to two IFAD-financed projects, and the second was a grant of SDR 1 million (approximately US$1.4 million) as part of SPEARP for rehabilitation after the earthquake in Sichuan. There were also some "free-standing" grants supporting capacity development, knowledge management, South-South cooperation and policy studies. Three of the country grants were sampled for review by this CPE (South-South, GEF, a study on effects of biofuels) and a brief assessment is provided below.

303. In addition, China has been stakeholder/beneficiary in some 40 global and regional grants for a total of approximately US$34 million, of which some US$5-10 million may be perceived as "China's share". Many of the regional grants were for agricultural research, implemented by the Consultative Group on International Agricultural Research (CGIAR) institutions. A few grants, implemented by FAO, supported capacity development for pro-poor agricultural development and finally there were some grants related to rural finance, gender and ethnic minorities. A list of country and regional grants is provided in annex III. The CPE found little evidence that partners at the country level were aware of IFAD's global/regional grants that also covered China, or whether the global/regional grants had any significant linkages to the China country programme.

304. The review of the three country-specific grants was based on grant approval documents and records of activities. There is no or limited information to assess outcomes or contribution to the objectives.

305. Grant 1271 on "Promoting South-South Cooperation with China in Poverty Reduction through Knowledge Sharing" provided US$338,000 for the period 2011-2014 with the objective of promoting South-South cooperation on rural development and poverty reduction between China and other countries, which are borrowing from IFAD. The International Poverty Reduction Center in China (IPRCC), a centre under LGOP, is implementing the grant.

306. The main activities and outputs have included: two workshops in China for sharing experience on various themes related to rural poverty reduction; 1-2 months study/training visits of four officers working with IFAD projects in Ghana, Kenya, Argentina, and Bangladesh; and production and dissemination of various knowledge products, mainly papers for the workshops, e.g. on "China's Agricultural Development Policy and Experience". The grant will also partially finance at least two pilot projects in selected participant countries on agricultural technologies and poverty reduction models. Preparation of these pilots has started.

307. Finally, IFAD recently supported an Africa regional workshop on South-South cooperation in collaboration with the Government of China, which was held in August 2014 in Mozambique. The participation, *inter-alia*, of the IFAD's Associate Vice President (Programme Management Department), the Vice Minister of the Ministry of Finance from Beijing, and the Chinese Board Director is a reflection of the growing importance of South-South cooperation as a key component of the IFAD-China partnership. All the above is a reflection that, in recent years, IFAD is

making efforts to facilitate South-South cooperation - which is a core objective of the 2011 China COSOP – but even more can be done in this area in the future.

308. Grant GEF-FSP-09-CN on "An integrated ecosystem management approach to the conservation of biodiversity in dry land ecosystems" is a grant from GEF of US$4.5 million which originally was intended to complement IFAD's loan projects in Gansu (SGPRP) and in Shanxi and Ningxia (ECPRPNS). While GEF approved the grant in February 2009, the financing agreement between IFAD and China was not signed until April 2011, implying that implementation took off when SGPRP and ECPRP were closing. Anticipated closing of the grant project is in April 2016. With SGPRP and ECPRP closed, it could be a challenge for the ICO to follow implementation.

309. The goal of the grant is to reduce loss of biodiversity in selected dry-land ecosystems by providing support for, inter alia, capacity development for ecosystem planning and management, piloting innovative interventions, and knowledge management. Progress of the different components and subcomponents has been varied, and overall financial delivery of the GEF grant is behind schedule. However, a number of deliverables have been produced, including: rehabilitation of 74,000 mu of natural grassland; master plans for three national nature reserves; a management plan for Mount Taizi and Haba Lake; and upgrading of Mount Taizi to a national nature reserve. However, it is still too early to assess whether the grant will contribute to or achieve its objectives.

310. Grant 1089A-CCAP "Effects of biofuels on agricultural development, food security, poverty and the environment" was approved in 2009 with an amount of US$200,000 channelled through the Ministry of Finance to the Centre for Chinese Agricultural Policy (CCAP).[56] In 2012, CCAP completed the study.

311. China started biofuel production in the early 2000s and the targets for 2020 are 10 million tons of bioethanol and 2 million tons of biodiesel. To safeguard food security, current regulations require that future biofuel expansion in China be non-cereal based and avoid competing with cereal production over land. One of many findings of the study was that the defined 2020 targets would not have any major negative impacts on national food security but that bioethanol feedstock production, using new marginal lands, must be planned carefully in order to prevent negative environmental impacts. The CPE has no information on whether and how policy makers and planners as well as IFAD have used the analysis and findings.

312. The grant envelope and its management: The total allocation of country grants for China (US$8.7 million over 13 years) appears modest even in an IFAD context, considering that China is IFAD's second largest borrower, and that both IFAD and Government prioritizes knowledge sharing, South-South cooperation and innovations. Though the size of some minor grants would not justify investments in comprehensive M&E, for the larger grants it would be justified to spend funds on assessing whether or not the grants contribute to their stated objectives and how they further the broader country programme objectives in China.

E. Overall assessment

313. Overall, the performance of non-lending activities is assessed as moderately satisfactory (4). A key general constraint is that the CPM did not have adequate budget and time for planning and implementing non-lending activities in the past.

[56] The CCAP is part of the Chinese Academy of Sciences (CAS).

Table 11
Performance of non-lending activities

	Rating
Policy dialogue	3
Knowledge management	4
Partnership-building	4
Non-lending activities	**4**

Key points

- Performance in non-lending activities has been on the whole moderately satisfactory, partly due to limited attention and allocation of specific budget and the lack of IFAD staff (i.e., the CPM) located permanently in Beijing. However, more attention is being devoted to non-lending activities in recent years, which is encouraging.
- Most of IFAD's activities related to policy dialogue, knowledge management and partnership building are anchored or integrated in the lending programme. This is essential to ensure credibility and effectiveness of non-lending activities.
- More attention has been devoted in recent years to knowledge management and South-South cooperation, which is a high priority for the country. This is an area where more can and needs to be achieved in the future.
- Partnership with the Government at different levels is very good in general, although there are opportunities for strengthening partnership with other government institutions, which is important. Partnership with NGOs, civil society and the private sector is limited, whereas a good partnership was developed with WFP. On the other hand, partnership with other multilateral development organizations has been weak overall.
- Policy dialogue has not been an explicit area of focus in the country programme, even though some positive experiences from IFAD-funded projects have been taken up in programmes funded by the Government.

VII. COSOP performance and overall partnership assessment

A. COSOP performance

Relevance

314. The 1999 COSOP was prepared years before IFAD introduced RB-COSOPs and therefore cannot be criticized for not following IFAD guidelines for RB-COSOPs. Though the document makes some reference to government strategies, the COSOP is presented as the strategy of IFAD and WFP who formulated the strategy, with some consultation with Government. Thus it is not a joint IFAD-Government document.

315. In terms of strategic thrust, the COSOP focused on absolute poverty and food security, providing the following concrete target: "Each new project would support on average about 300,000 ha to reach food security." This strategic thrust was fully in line with government policy at the time. The Government's so-called "Eight-Seven Poverty Alleviation Plan" of 1993 had the objective to completely eradicate absolute poverty by lifting the remaining 80 million absolute poor out of absolute poverty by year 2000. The COSOP's proposed support for agricultural infrastructure, rural roads, health and education facilities, and for improving literacy and production skills was also the focus of government support. The difference or value addition was in the COSOP's strategy to develop poverty and

gender-sensitive, but sustainable MFIs, i.e. RCCs, and in the participatory approach in preparing VDPs.

316. The COSOP targets remaining hard-core poverty areas and pockets but does also flag the risks of transient poverty and increasing inequality. For geographical targeting, the COSOP refers to the VAM methodology, which was applied in the IFAD-WFP period and is based on two risk factors: (i) natural disasters and agricultural production variability; and (ii) crop performance. Government never took full ownership of this methodology, but used its own indicators to identify "poverty-stricken counties" (680) but apparently with similar results. The COSOP (appendix 2) states: "The results (from the VAM) tend to fit the Chinese "poverty-stricken counties' list very well." However, this raises the question why IFAD/WFP spent considerable efforts and resources to apply the VAM methodology[57] instead of using the Government's list.

317. The COSOP and VAM targets the poorest areas, but as highlighted in the ECPRP completion report, in some cases this led to coverage of villages with empty houses and a few old people left, that is villages with no production potential.

318. A major part of the COSOP, including a seven-page appendix, is devoted to the proposed transition from credit delivery managed by PMOs to credit managed by RCCs, specifically the issue that margins on the IFAD loan were charged by different government levels on its way to the RCCs.

319. Though the 1999 COSOP was an IFAD/WFP strategy, it was aligned to government policy and was relevant to the context at the time. However, use of the VAM instead of the government's methodology had limited rationale. The COSOP had no log frame or results management framework, but it did define some targets in quantitative or concrete terms, in particular that each project would make 300,000 households food secure.

320. The 2005 COSOP, though not a RB-COSOP, was prepared in consultation with the Government and the preparation process included a number of background studies and workshops. It covers the period 2006-2010 and builds on the Government's Development-Oriented Poverty Reduction Programme for Rural China, 2001 – 2010. Its two strategic thrusts, access and innovation, are aligned to IFAD's corporate policies and reflect the new context and IFAD's changing role in China where contribution to innovation and scaling up is seen as very important alongside the provision of finance. It abandons the VAM methodology, and does not present any detailed targeting strategy, just stating: "The selection of areas for pilot sector programmes will be based on poverty incidence and the potential for successful pilot implementation."

321. The use of the concept "pilot sector programmes" is somewhat confusing as the support priorities comprise a number of different area-based interventions, including: development of microfinance and microenterprises, organic farming, natural resource management, agricultural production and access to markets.

322. The COSOP includes a logical framework, which however does not assign values to the indicators for the different levels. This was expected to be done in project design. However, this assumes that the COSOP log frame is perceived as a dynamic instrument that is revised as the projects are designed. This was not done and therefore the log frame cannot be used as the basis for assessing COSOP performance and contributions to objectives.

323. Though the COSOP expects an annual financial allocation of around US$24 million, there is no outline of the pipeline and no attempts are made to quantify expected outputs and outcomes. The COSOP highlights some innovations for introduction, e.g. a modular approach, but is not clear on the processes and outcomes related to

[57] VAM used numerous indicators for which information had to be captured and analysed.

the innovation and scaling up objective. Though at the general level it is relevant and aligned to the new context, it is lacking on specificity and detail, and thus does not give a clear impression of what will be achieved and how it will be done.

324. The 2011 COSOP was prepared according to IFAD guidelines for RB-COSOPs. It was based on the 2011 Country Programme Review by APR as well as studies on rural poverty, agriculture and rural development, and climate change. The preparation process was designed to ensure country ownership and included workshops and numerous consultations, not only with Government but also with civil society and private sector players. The COSOP covers the 5-year period 2011-2015 and is aligned to the Government's 12th 5-year plan. The fact that APR commissioned a dedicated country programme review to inform the preparation of the 2011 China COSOP is a good practice worth highlighting.

325. The COSOP presents a detailed targeting strategy, adopting Government's geographic targeting strategy, giving priority to the poorest provinces, border areas, ethnic minority areas and former revolutionary bases. In these areas, the programmes will target economically active men and women with potential and capacity of taking advantage of the economic opportunities offered by IFAD-assisted projects. Thus, clearly different from the 1999 targeting strategy.

326. Its three strategic objectives (see chapter III) are relevant to today's context. More environmentally friendly sustainable agriculture and farmers' linkages with markets are key priorities in today's China, while facilitation of South-South cooperation and knowledge sharing reflects the new nature of the China-IFAD partnership.

327. The Results Management Framework has indicators without values, except for South-South cooperation, and should be updated as projects become designed. As a positive new element, the RB-COSOP, as per guidelines, includes outlines of the three identified projects in the pipeline.

328. Overall relevance 1999-2013: The three COSOPs have their individual strengths and weaknesses but all were aligned to government policies and the rural context at the time. However, all three COSOPs give insufficient attention to rural-urban migration and the changing socioeconomic rural landscape, with consequences such as: villages with empty houses and a few old couples left; feminization of agriculture; land consolidation; commercialization; and increasing intra-village inequality.

329. All in all, the CPE assesses the relevance of the three China COSOPs as satisfactory (5).

Effectiveness

330. The effectiveness assessment is limited to the 1999 and 2005 COSOPs. The CPE considers it early to make a reliable judgement of the achievements of objectives enshrined in the 2011 COSOP, though early indications are positive.

331. Five projects were funded based on the 1999 COSOP, including the thematic RFSP and the area-based integrated rural development projects, QMAPAP, WGPAP, ECPRP, and SGPRP. With reference to the latter, the COSOP stated that each project on average would ensure that 300,000 households become food secure. The IOE evaluations of QMAPAP and WGPAP both rated impact on food security as satisfactory and found that QMAPAP had reached 1.3 million beneficiaries while WGPAP had reached some 900,000.[58] Furthermore, average increase in per capita annual income was significant, especially in WGPAP. Completion reports of ECPRP and SGPRP provide a similar positive picture.

332. On this background, it would be a fair estimate to say that the food security objective of the 1999 COSOP was reached or at least that a very significant

[58] Table 4, IOE Interim Evaluation 2010 of QMAPAP.

contribution was made to the objective. However, one should be careful to equal reported number of project beneficiaries with number of people lifted out poverty, for three reasons: (i) there is likely to be some double counting – one household benefiting from two different interventions is reported as two beneficiaries; (ii) due to the household registration system, it is probable that registered instead of actual population is used, in particular for infrastructure, for example a rural access road; and (iii) all beneficiaries are not poor; some supported villages have not experienced any strong outmigration but this is generally due the fact that households are not poor.

333. Less success was achieved in rural finance and on the objective to provide rural poor with financial services. Agreements with RCCs took longer than expected to negotiate, the RCCs sometimes lacked interest in serving the poorer households and the policy component of RFSP failed. However, considering that the four area-based projects made significant contributions to the reduction of absolute poverty and improved food security, the effectiveness of the 1999 COSOP is overall assessed as satisfactory (5).

334. Three projects were funded following the 2005 COSOP and are currently under implementation (XUARMRDP, IMARRAP, and DAPRP). Though work is in progress, it is the assessment of this CPE that IMARRAP is the best performer in terms of innovations, and providing access to finance, information and markets, whereas DAPRP so far has performed below expectations. Furthermore, support for rural finance and microfinance through women's federations was not included in DAPRP design.

335. Though IMARRAP and DAPRP have earmarked budgets for knowledge management to support innovation and scaling up, the PMOs have struggled with how to realize this new strategy. Everywhere in the world, project officers tend to focus on matters within the project whereas the innovation and scaling up agenda assumes work outside the project box, and often there are few incentives for working outside the box.

336. With respect to progress on the 2005 COSOP's two strategic thrusts (innovation and access), the 2011 CPR notes: "these have not gained much traction to date in new programming. The projects have not developed any clear mechanisms, including needed financing, for the identification and dissemination of innovations lack of a vigorous and systematic new approach to knowledge management meant that even when innovation occurred there was no certainty that it would be captured for dissemination." Performance in this area appears to have improved somewhat since 2011 and there is still time, though limited, for improvements. Hence, the CPE assesses the effectiveness of the 2005 COSOP as moderately satisfactory.

Overall effectiveness and COSOP performance

337. Whereas the country portfolio review by the Asia and Pacific Regional division gives more weight to the period after 2005 and therefore rates overall COSOP effectiveness and overall COSOP performance as moderately satisfactory (4),[59] this CPE believes that the four successful and completed projects from the IFAD/WFP period should have more weight in the composite assessment and therefore that COSOP effectiveness and overall COSOP performance should be rated as satisfactory (5).

[59] The COSOP assessment of the CPR was used for a summarized COSOP assessment included in appendix IV of the 2011 COSOP which however presented different ratings: effectiveness as well as overall COSOP performance were rated satisfactory (5).

Table 12
Rating of COSOP performance

	Relevance	*Effectiveness*	*Overall COSOP performance*
1999 COSOP	5	5	5
2005 COSOP	4	4	4
2011 COSOP	5	Not rated	Not rated
Overall 1999-2013	**5**	**5**	**5**

B. Overall partnership assessment

338. The IFAD-China partnership is strong, partly thanks to shared visions and commitments for rural poverty reduction. In its self-assessment, the Government values the cooperation with IFAD because of various aspects of the partnership but gives the highest scores/weights to the following three aspects: (i) IFAD as a facilitator of South-South cooperation and promoting knowledge sharing; (ii) IFAD is a responsive and flexible partner, addressing the Government's requests and priorities, where Government notes: "IFAD's COSOPs are closely in line with the Government of China development strategies. At project level, IFAD is flexible to make adjustments"; and (iii) though IFAD's financial resources are not sufficient at national level, it is stated "IFAD's financial source is still highly valued in under-developed regions."

339. In its self-assessment, IFAD's CPM also attached high value to the China partnership, highlighting China's high absorption capacity and efficient implementation of projects as well as its contribution to IFAD's corporate goal of lifting 80 million rural poor out of poverty: "China is one of the most efficient and effective recipients of all the services and resources IFAD can provide… China alone can almost enable IFAD to meet its target of reaching around 30 million people by 2015." Furthermore, China's achievements in agricultural development and rural poverty reduction are considered a valuable resource for IFAD's member countries.

340. The CPE finds that IFAD's main strength currently is its loan portfolio, which has supported projects with satisfactory contributions to household income and assets and food security in many remote and poor communities. During the period covered by the CPE, the performance of the loan-supported project portfolio has overall been satisfactory, partly thanks to good project management by subnational governments. This, in turn, has contributed to satisfactory COSOP performance. However, performance in non-lending activities has been moderately satisfactory, but with some recent improvements in knowledge sharing and added attention to South-South cooperation. Further improvements could be obtained from allocating a multi-year grant budget within which the CPM can plan and implement non-lending activities. In general, the overall Government-IFAD partnership is assessed as satisfactory (5). In this regard, it is worth noting that IOE has conducted more than 20 CPEs in the last five years in various countries in all geographic regions covered by IFAD operations. In fact, China is one of the very few countries where IOE has assessed the overall partnership between IFAD and the country to be satisfactory.

341. These overall positive findings are largely consistent with the results of IFAD's 2013 Client Survey where partners and stakeholders in 32 countries were invited to give their opinions on IFAD's performance (see annex XIII). According to the survey, China was above the average for the Asia and Pacific Region as well as the global average for all five IFAD regions when it comes to contribution to rural poverty reduction (income, food security, empowerment), particularly China is given a high score for empowerment. While this CPE finds strong contributions to individual human capital and empowerment, it however also finds that the contribution to

developing viable and sustainable organizations of rural poor (part of empowerment) has been relatively limited (though moderately satisfactory). Also, there are opportunities to further develop sustainable rural financial services in China, where the past performance can be further strengthened.

342. With respect to aid effectiveness indicators of the Paris Declaration (country ownership, alignment and harmonization), IFAD/China is below the regional and global averages. While IFAD programmes are aligned to government policy, country systems for financial management, procurement and M&E are only partly used.

343. The client survey finds that IFAD's performance in China in terms of participation in national policy dialogue is below regional and global averages. However, the client survey finds that IFAD's performance in China in terms of supporting the participation of civil society and farmers' organizations in policy dialogue was above regional and global averages. With respect to IFAD's performance as a partner, China scores similarly to regional and global averages.

344. The CPE finds that innovation and scaling up is an area where there are some issues of performance, in particular in scaling up at the national level. Improvement will require actions on policy dialogue, knowledge management within and outside projects, as well as partnerships including with national "technical" institutions. This is also indicated in government's self-assessment: "In the future, it is recommended that central level governments' involvement should be strengthened to provide guidance and scale up successful experience(s) nationwide."

Table 13
Overall assessment of the partnership

	Rating
Portfolio performance	5
Non-lending activities	4
COSOP performance	5
Overall Government-IFAD partnership	**5**

Key points

- The overall relevance and effectiveness of the three COSOPs (1999, 2005, 2011) is assessed as satisfactory (5).
- The three COSOPs are different in form and content. The 2011 COSOP is a RB-COSOP, formulated in line with the guidelines for such. The 2005 COSOP has similarities with an RB-COSOP while the 1999 COSOP basically is a joint IFAD-WFP strategy.
- All three COSOPs target the rural poor in remote areas. However, while the 1999 COSOP gave priority to food insecure households, the 2011 COSOP focuses on the productive poor and their participation in markets. This is critical to reduce inequality and improve incomes.

  Overall, the China-IFAD partnership is assessed as strong. Considering all aspects of the partnership, past performance has been satisfactory (5). However, expectations of each partner to the partnership are changing, creating new challenges, particularly related to promoting and scaling up innovations, and knowledge sharing, including South-South cooperation.

VIII. Conclusions and recommendations

A. Conclusions

345. **Storyline.** The CPE concludes that the IFAD-China partnership is very important for both IFAD and the Government. It merits being strengthened with necessary adjustments as it moves forward, by taking into account the social-economic developments and growth in the country over time. In this regard, it is particularly significant that per capita income has risen dramatically and the country has a sizeable foreign reserve. Yet, a large number of rural people (around 150 million) still live on less than US$1.25 per day, inequality remains significant, and market reforms need further intensification. This therefore provides the imperative for IFAD's continued engagement in China for the foreseeable future, taking into account the Fund's overall mandate and responsibility of rural poverty reduction in its developing Member States in all regions.

346. There is indeed value added in a strengthened partnership for both China and IFAD. From IFAD's perspective, China is increasingly recognized as a global player and its enhanced engagement in IFAD can also help the organization leverage support from other countries, both financial and on substantive issues, as well as contribute to shaping the Fund's policy agenda for the future. Moreover, IFAD can gain in terms of financial reflows by maintaining an appropriate lending programme in the country with ordinary interest rates, given the higher repayments on loans as compared to lending to low-income countries on highly concessional terms. And, the intellectual participation and financial contributions of China in IFAD's periodic replenishments and other institutional processes can by no means be underestimated. Over the next decade or more, IFAD's interest in the partnership is likely to change from "China as one of IFAD's largest borrower", towards "China as a key partner and one of IFAD's most important supporters", inter alia, in terms of: (i) contribution to replenishments; (ii) co or parallel financier of IFAD loan-supported projects in China and other countries; and (iii) provider of technical assistance and expertise, as well as a valuable source of knowledge and good practices on smallholder agriculture development.

347. On the other hand, from China's perspective, IFAD can contribute in several ways and play an incremental role in the country's advancement in rural areas. Although the central government finances are strong in China, many subnational governments still have problems of debt. Therefore, the financial support from IFAD, channelled to provincial governments through the national government, is beneficial because of the relatively lower interest rates (at the moment), as well as because IFAD-funded projects are specific, given their focus on development activities at the local level that build on IFAD's comparative and absolute advantage in rural poverty reduction. Moreover, IFAD's global experiences, lessons, knowledge and expertise in agriculture and rural development can be of particular value to China.

348. As such, inter alia, IFAD's contribution in China can be through projects and programmes that emphasize the sharing of knowledge, experiences and lessons from other countries in Asia and beyond; allow for the financial transfer of loans to fund small agriculture development projects in remote rural areas to improve livelihoods and reduce inequality; promote innovation in technology, institutional arrangements, and social development that can be scaled up by the Government and others for wider impact on the ground; serve to demonstrate the rigour and attention needed to design, supervise, monitor and evaluate grassroots-oriented agriculture operations in remote rural areas; and facilitate South-South and triangular cooperation.

349. Having said that, the partnership is at a crossroads and it needs to be transformed in the future, with even more attention to non-lending activities (i.e., knowledge management and South-South and triangular cooperation, partnership-building and

policy dialogue). To solidify and sustain the partnership in the long term, IFAD and the Government also need to develop a serious and properly resourced knowledge cooperation programme which is complimentary and closely linked to the lending programme. And, out posting the IFAD CPM for China from Rome to Beijing will be essential to successfully deliver the priorities for the future, in the context of a renewed partnership.

350. **Rural transformation and new challenges.** Since IFAD and China started their cooperation in 1981, China has been transformed from a low-income country with food security challenges and widespread poverty to an upper-middle-income country, with poverty pockets mainly in remote rural areas and areas with challenging natural resource environments. High growth in industry and services, based on large rural-urban migration, has driven this transformation, but large government rural poverty reduction programmes have also made a significant contribution to the reduction of rural poverty. During 1999-2013 covered by this CPE, the Government abolished agricultural taxes and introduced major agricultural subsidies, intensified agricultural support services, implemented the world's largest rural infrastructure programme, and launched a number of social welfare programmes for rural households.

351. The socio-economic landscape of many villages is changing fast. In particular, young men move to work in the cities, leaving the elderly and the women and children behind or the entire household leaves, resulting in villages with empty houses. Outmigration is accompanied by land consolidation: either by young farmers wishing to make agriculture a business, or larger enterprises renting land from departing households, creating larger and more economic farm units. This also creates a need for labour-saving technologies. The CPE found that these trends are not sufficiently taken into account in COSOPs and project designs. The trends can be strong; in some cases the village population is more than halved from project design to project completion; this obviously has implications for whom to support and how to support them.

352. **Satisfactory portfolio performance.** The CPE assessed 13 loan-supported projects at different implementation stages approved and implemented during 1999-2013. Eleven of the projects were area-based agricultural and rural development projects, while one project was the thematic RFSP and one project provided rehabilitation support to Sichuan province after the 2008 earthquake. Generally, projects have been effective in achieving their targets by completion, but almost all have experienced a slow start-up as staff in the PMOs must get familiar with project design and IFAD procedures and policies. In the areas of procurement, greater use of country systems could also facilitate implementation.

353. Five projects that originated under the 1999 COSOP have been completed. Four were area-based projects and covered agriculture, social and economic infrastructure and services, and rural finance, with WFP providing food-for-work and training. These projects achieved satisfactory to highly satisfactory impacts on household income and food security. RFSP was an outlier in this period, as it addressed national issues in rural finance and included a policy component, which however failed to achieve its objectives.

354. Three projects were designed following the 2005 COSOP and are approaching completion. Focus is on agriculture and marketing, applying a modular approach where farmers can chose from different modules according to their needs, such as horticulture, poultry, etc. Performance has been mixed, but important contributions have been made to agricultural productivity. The four recent projects emerging from the 2011 COSOP are in various stages of start-up. Design differs from the past, as there is no budget for supporting rural finance and the women's federations. Focus is on infrastructure, agricultural production and marketing, where development of pro-poor value chains and cooperatives are new priorities.

The CPE found that the PMOs need detailed strategies and guidelines to help them progress in these new priority areas.

355. **Innovation and scaling up.** The CPE provides a composite rating of moderately satisfactory (4) for innovation and scaling up, but finds that, while performance on innovations has been generally satisfactory, scaling up has not been as wide spread especially at the national level. A few innovations have been introduced in project design, but it is more common that the innovations emerge during implementation in response to problems or opportunities. However, PMOs seldom monitor and evaluate innovations differently from the approach applied for standard activities. Therefore, independent robust assessment of the viability and potential for scaling up is often missing. Some scaling up of successful innovations and approaches has taken place in the project areas and in the vicinity, though limited evaluative evidence were found that successful innovations cross provincial borders and spread nationally. The CPE offers two main explanations for this: (i) projects are implemented and financed by sub-national governments, which have little incentive to engage in and finance activities beyond their provinces; (ii) partnership with other in country partners including international financial institutions, who have the potential to scale up successful innovations is weak.

356. **Rural finance and cooperatives.** In terms of efficiency, effectiveness and impact, IFAD's support for agricultural production and rural infrastructure has had the best performance, whereas challenges have been encountered in the support for developing pro-poor cooperatives and farmers' organizations, value chains and financial services.

357. In rural finance, some results were achieved in the cooperation with RCCs, but many RCCs have moved up market, becoming commercial or cooperative banks, with limited interest in serving poorer households and small clients where transaction costs and perceived risks are high. Another challenge is related to repayment of the IFAD loan, which has been accentuated with transition to loans on ordinary terms, where the grace and repayment period is relatively short. If the subnational government uses IFAD loan proceeds to establish a revolving fund or loan guarantee fund with a financial institution, sustainability is compromised if the subnational government liquidates and cashes in this asset in order to repay the IFAD loan. Thus, a requirement must be that the subnational government cancels its liability with IFAD using its own resources while maintaining the asset until a viable and sustainable exit solution is found.

358. With respect to farmers' organizations, the old farmers' associations and many new cooperatives are mainly "service organizations" for inputs and advice, whereas some new cooperatives are similar to small shareholding companies, with a few well-off farmers as shareholders, or they resemble joint venture companies where a large agro enterprise, purchasing the farmers' produce, is a dominant member of the cooperative. However, there are exceptions and opportunities for developing pro-poor marketing cooperatives.

359. One opportunity would be to combine rural finance with pro-poor cooperative development, using experiences from other countries, for example one model comprising three elements. First, substantial capacity development support needs to be provided for emerging cooperatives of the poor with the view to build capacity for democratic governance, marketing, financial management and credit management. The latter would be aimed at making the cooperative capable of borrowing from a financial institution for two purposes: (i) finance cooperative investments, e.g. warehouses and processing equipment; and (ii) manage a revolving credit fund allowing the cooperative to provide microcredits to its members, thereby saving the financial institution the transaction costs. The second element would involve capacitating the financial institution to work with cooperatives and if required, back it with credit or guarantee funds. A third element

may involve a partnership with a large buyer, who may enter into a contractual relationship with the cooperative, and if relevant, also with the financial institution to play a guarantor role with respect to the loan to the cooperative.

360. **Non-lending activities.** The CPE finds that the performance of non-lending activities (knowledge management, policy dialogue and partnership-building) has been on the whole moderately satisfactory. Knowledge management has improved over the evaluated period especially since 2011, and recently, IFAD has taken steps to facilitate South-South cooperation. However, given that knowledge management and South-South cooperation is a priority for China, delivery is constrained by a shortage of professional staff in the ICO, incentives and operational budget.

361. Partnership with the Ministry of Finance (and some other central Government institutions) is strong, including with concerned provincial and county level authorities. However, not including the partnership with WFP, partnership with multilateral development organizations, especially the A.DB, FAO and World Bank, and bilateral organizations has generally been weak, which is a further reason why scaling up of successful innovations promoted in IFAD operations by other organizations has been insufficient. In contrast, partnerships for project implementation are strong, involving national and subnational government agencies, a few civil society organizations and more recently, initiatives have be taken to involve some private enterprises.

362. A relatively small amount of country-specific grants has effectively supported loan portfolio delivery, as well as non-lending activities. However, the country team does not have a multi-annual reliable budget frame (grants and operational budget) within which non-lending activities can be planned and implemented. The linkages between IFAD global and regional grants and the China country programme is generally weak, as little evidence was found of their contribution to furthering IFAD activities in China.

363. **COSOPs.** The three COSOPs of 1999, 2005, and 2011 are different with respect to format and preparation process. For example, the 1999 COSOP is basically a joint IFAD/WFP strategy, whereas the 2011 COSOP is prepared according to guidelines for result-based COSOPs. Nevertheless, the CPE finds that all three COSOPs were aligned to government policy and overall were relevant to the rural context at the time, though they do not fully appreciate the implication of the strong rural-urban migration trend. The 2005 COSOP defined "innovation" as one of its strategic objectives, but did not sufficiently detail a pathway for promoting innovation and scaling up, and as explained above, achievements in scaling up especially at the national level were not as far reaching. The 2011 COSOP has South-South cooperation and knowledge sharing as one of the three objectives which is good, but more resources and efforts will be required in the future to deliver on this important objective. Overall, the COSOPs were relevant and effective, and projects and programmes funded made significant contributions of the portfolio to household income, agricultural productivity and food security.

364. **South-South cooperation.** In China, steps to promote South-South cooperation have been taken in recent years. IFAD has facilitated opportunities for China to share its general experiences and expertise in rural poverty reduction with other IFAD members, mainly through a series of workshops. There is no doubt that some IFAD member countries can learn from China's approaches and experiences to working with the rural poor to improve incomes and livelihoods. While useful, there is a need to move forward and define IFAD's niche as a facilitator of South-South cooperation, also by taking into account what other development players are doing in this area, especially those involved in the field of smallholder agriculture development and rural poverty reduction in the country. In this regard, greater dialogue with multilateral organizations, including the Rome-based agencies, would be essential. FAO, for instance, has active South-South cooperation with China, and

opportunities of working together with them will need to be actively explored in the future.

365. **IFAD country office.** IFAD has allocated one international CPM and three national professionals to work on the China country programme. One programme assistant is also assigned to the country programme at headquarters. The CPM is based in Rome, whereas the national officers are located in Beijing in the ICO. The establishment of the country office has been a very good step. The office has made useful contributions in furthering the China-IFAD partnership and dialogue in general, including in undertaking direct supervision, which is proving to be more effective than supervision by cooperating institutions. At the same time, the CPE questions the strategic choice of APR in prioritizing the out posting of IFAD's CPM to the Lao People's Democratic Republic (a country with a small population, few operations, and a small PBAS allocation). Currently there are only two countries with an out posted CPM in the APR region, and China might have been the obvious choice considering its large portfolio and the strategic nature of partnership with IFAD being of a much higher priority from a broader perspective.

366. **Overall satisfactory partnership.** Overall, the China-IFAD partnership is strong and the aggregate rating for performance of loan portfolio, non-lending activities and COSOPs is satisfactory. The high level of government counterpart funding is considered strength in the partnership. This is encouraging and in line with expectations for middle-income countries. The main issues in the partnership is the need to find a better balance between lending and non-lending that is conducive to promoting innovation and scaling up as well as knowledge sharing and South-South cooperation.

B. Recommendations

20. Based on the above findings, the CPE recommends that IFAD and the Government of China prepare a new COSOP, building on the findings and recommendation of this evaluation. The new COSOP will provide the basis for renewed partnership and cooperation between IFAD and China. The following six key recommendations should be integrated into the new China COSOP.

367. **Targeting in a changed rural context** (see paragraphs 317, 320, 332, 350-51, and 359).[60] Geographical targeting – the middle way: The new COSOP should carefully consider the provinces, counties and villages to include in future IFAD-supported programmes, ensuring they are fully relevant both with IFAD's corporate policy on targeting and Government's priorities for rural poverty reduction. Particular attention should be devoted to villages with poverty and a production potential, which younger people are willing to exploit, making farming a business. These are not all necessarily very remote villages but villages with challenges in their natural resource environment while having production potential. An additional selection criterion should be the status and plans for village infrastructure. When identifying beneficiary villages/areas during design and/or implementation, a careful assessment would need to be made of the migration trends so as to avoid ending up with almost empty villages at project completion.

368. Socio-economic targeting – flexibility: Rural-urban migration is accompanied by two other trends. First, land consolidation with farm units getting bigger, thereby raising labour productivity and reducing the acceleration in the rural-urban income gap. Second, agricultural commercialization is growing with increased productivity to meet the demand of the rapidly growing population. This trend tends to favour scale – either large production units or smaller units, which join in cooperatives that assemble (and process) the produce and meet the quality and delivery requirements of buyers. There are large private or state corporations entering this

[60] References to paragraph numbers directs the readers to selected parts (only) of the conclusions and main findings in the CPE report, with the aim of illustrating the evidence trail of the evaluation.

process but they do not need to be assisted by the IFAD-supported portfolio. However, there are also younger farmers who wish to make farming a business. Some may be returning migrants who have accumulated some savings, which they now want to invest. They may start micro, with 15-25 mu, but with the ambition to grow small or perhaps medium size (50-200 mu). Even though they most likely are not below the poverty line, they need support for developing their production, financial management and marketing skills, and they need access to finance for inputs and farm equipment. If they succeed, they will create employment on-farm as well as off-farm in the local cooperative and processing entities. And poor households, retired farmers or households who have left obtain income from leasing their contract rights. This CPE recommends that the portfolio apply a flexible socio-economic targeting approach, ensuring these groups are not excluded as well in future programmes, but with somewhat differentiated packages. When supporting cooperative development it is also important to engage with the younger business-oriented farmers who are likely to be the leaders in development of cooperatives. It is seldom the poorest households who lead.

369. Supporting ethnic minorities. The other leg in the targeting strategy would be to continue supporting ethnic minorities in remote mountain and forest areas, which have not yet been integrated into the mainstream agricultural commercialization process. Their production systems are diverse (crops, forest products, fisheries, livestock) and largely organic. Productivity is low, but can be raised with organic methods, requiring knowledge more than inputs and hardware. And, there are niche markets for some of their products but market access can usually be a constraint. In such more stable homogenous communities, it would be appropriate to work with all community members, regardless of their poverty status.

370. **Strengthen knowledge cooperation** (see paragraphs 273-283, 348-349, and 360). The future IFAD-supported country strategy and activities should continue to include a specific objective and significant emphasis to knowledge cooperation. To ensure success and credibility in this area, IFAD will need to maintain an adequate lending programme in China, which will provide the basis for learning lessons and identifying good practices in promoting poverty reduction in remote rural areas. A programme of knowledge cooperation would also include attention to documenting and sharing experiences and lessons from China that can help towards scaling up success stories in the country and elsewhere, as well as proactively supporting activities and organizing events that will promote the transfer of IFAD's accumulated knowledge, good practices, and lessons in smallholder agriculture and rural development from other countries to China. With regard to the latter, one concrete area is rural finance, where IFAD's rich global experience can be of use in developing sustainable rural financial service instruments and products to support the poor in China gain reliable access to required levels of capital for both investments and consumption purposes. Finally, the new country strategy should clearly specify the human and financial resources that will be allocated to knowledge cooperation, especially the administrative budget that will be mobilized to satisfactorily achieve this priority.

371. **Sharpen focusing on scaling up impact** (see paragraphs 212-231, 355 and 363). IFAD's resources allocated to China are relatively limited as compared to the financial resources of the central Government, the private sector, and other donors. Therefore, to ensure that successful innovations promoted in the context of IFAD operations have a wider sustainable impact on rural poverty in the country, scaling up beyond individual counties and provinces/regions by others (e.g., the national Government, donors and the private sector) should represent a priority for the future. Attention to scaling up will also contribute to ensuring the sustainability of the benefits generated through IFAD operations. This will require both IFAD and the Government (both at central and provincial level) to: (i) pay attention and allocate dedicated resources to non-lending activities (knowledge management,

partnerships and policy dialogue) in China; and (ii) ensure that scaling up objectives are clearly specified in the COSOP and project design, and progress assessed and reported in all supervision, mid-term review and project completion reports.

372. **Promote South-South and triangular cooperation** (see paragraphs 305, 307, 326, 349, 360 and 364). IFAD should continue to play a facilitation role in promoting South-South and triangular cooperation between China and other Member States, in cooperation with other major development partners working in agriculture in the country. This would include, inter alia, activities related to knowledge sharing; facilitation of partnerships between China and other governments that have technical expertise needed for smallholder agriculture development in China; facilitating visits and training of Chinese officials and project staff in other countries and pertinent international/regional platforms; promoting investment cooperation in the context of IFAD operations; and identifying opportunities to promote the transfer of technology and experiences from China to other IFAD Member States, and vice-versa. It is further recommended that the next China COSOP clearly articulate the specific activities and measures of success, together with the required estimated budget in relation to South-South and triangular cooperation that IFAD will promote in line with the priorities of the country. The CPE further recommends that the IFAD Management, in consultation with the Government, explore opportunities for establishing within IFAD a dedicated facility for South-South and Triangular cooperation.

373. **Strengthen partnership with Government and other in-country stakeholders** (see paragraph 284-301, and 360-361). The future country strategy and operations should ensure a strengthened partnership with other relevant government institutions at the national level including. Opportunities for a greater involvement of the private sector as well as academic and research institutions should also be proactively explored. Investing in developing concrete partnerships with international organizations – in particular the ADB, FAO and the World Bank – should be a priority, for example, in cofinancing activities, knowledge sharing, policy dialogue, scaling up, and South-South cooperation. Partnerships with international organizations would not only add value and lead to better effectiveness of IFAD operations in China, but also contribute to lowering transactions costs in general for IFAD, the Government and others concerned.

374. **Enhancing IFAD presence and capacity in the country including out-posting the China CPM** (see paragraphs 245 and 365). Given the size and scope of the country programme, IFAD Country Office (ICO) in Beijing should be strengthened in general, so that the ICO could adequately support both project work and non-lending activities, including policy dialogue, partnerships building, and knowledge management as well as South-South and triangular cooperation. In particular, the CPE recommends that the China CPM be out-posted from Rome to Beijing at the latest by end 2015. A resident CPM will not only contribute towards improving IFAD's visibility and brand, but also help strengthen project supervision and implementation support, monitoring and evaluation, dialogue with Government and other in-country partners, partnerships for scaling up impact, as well as knowledge sharing within and beyond the China programme.

Ratings of IFAD-funded project portfolio in China

Core performance criteria	QMAPAP	WGPAP	ECPRPNS	RFSP	SGPRP	XUARMRDP	IMARRAP	DAPRP	SPEARP	GIADP	HARIIP	YARIP	SSADEP	Overall for portfolio
Project performance														
Relevance	5	5	5	4	5	5	5	5	5	4	4	4	5	5
Effectiveness	5	6	5	5	6	4	5	4	6	N/R	N/R	N/R	N/R	5
Efficiency	5	5	4	4	5	5	4	3	5	5	N/R	N/R	N/R	5
Project performance[b]	**5.0**	**5.3**	**4. 7**	**4.3**	**5.3**	**4.7**	**4.7**	**4.0**	**5.3**	**N/R**	**N/R**	**N/R**	**N/R**	**5**
Rural poverty impact														
Household income and assets	5	6	5	5	6	5	5	4	5	N/R	N/R	N/R	N/R	5
Human/social capital and empowerment	5	5	4	4	5	4	4	3	4	N/R	N/R	N/R	N/R	4
Food security and agricultural productivity	5	5	5	5	6	5	5	4	5	N/R	N/R	N/R	N/R	5
Natural resources, the environment and climate change	5	5	5	N/R	5	4	5	4	5	N/R	N/R	N/R	N/R	5
Institutions and policies	4	4	4	4	4	3	4	3	4	N/R	N/R	N/R	N/R	4
Rural poverty impact[c]	**5**	**5**	**5**	**5**	**5**	**4**	**5**	**4**	**5**	**N/R**	**N/R**	**N/R**	**N/R**	**5**
Other performance criteria														
Sustainability	4	5	4	5	5	4	5	4	5	N/R	N/R	N/R	N/R	5
Innovation and scaling up	4	5	5	5	4	4	4	3	4	N/R	N/R	N/R	N/R	4
Gender equality and women's empowerment	4	5	5	4	5	4	4	4	4	N/R	N/R	N/R	N/R	5
Overall project portfolio achievement[d]	**5**	**5**	**5**	**4**	**5**	**4**	**4**	**4**	**5**	**N/R**	**N/R**	**N/R**	**N/R**	**5**
Performance of partners[e]														
IFAD	4	5	4	4	5	5	5	4	5	N/R	N/R	N/R	N/R	**5**
Government	5	5	5	4	5	4	5	4	5	N/R	N/R	N/R	N/R	**5**

N/R = not rated. The most recent projects were only rated for relevance (apart from efficiency in one case, as there was adequate data available). It would not be appropriate, nor possible, to rate the other evaluation criteria, as these projects were in very early stages of implementation at the time of the CPE.

[a] Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

[b] Arithmetic average of ratings for relevance, effectiveness and efficiency.

[c] This is not an average of ratings of individual impact domains.

[d] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation and scaling up, and gender.

[e] The rating for partners' performance is not a component of the overall assessment ratings.

IFAD-financed projects in China

List of IFAD loans to China, 1981 – 2013										
Project name	*Project type*	*Total project post US$ million*	*IFAD approved financing US$ million**	*Cofinancier amount US$ million*	*Counterpart amount and beneficiary contribution US$ million*	*Executive Board approval*	*Loan effectiveness*	*Project completion date*	*Cooperating institution*	*Project status*
Northern Pasture and Livestock Development Project	LIVST	112.3	35.0		77.3	22-Apr-81	20-Jul-81	30-Jun-88	UNOPS	Closed
Hebei Agricultural Development Project	AGRIC	51.5	25.0		26.5	15-Sep-82	14-Jan-83	30-Jun-88	Word Bank: IBRD	Closed
Rural Credit Project	CREDI	71.4	25.0		46.4	11-Sep-84	22-Jan-85	30-Jun-88	Word Bank: IDA	Closed
Guangdong Integrated Freshwater Fish Farming Project	FISCH	31.4	12.0		19.4	03-Dec-86	24-Mar-87	30-Jun-92	Word Bank: IBRD	Closed
Sichuan Livestock Development Project	LIVST	34.6	17.3		17.3	30-Nov-88	16-May-89	30-Jun-94	UNOPS	Closed
Shandong/Yantai Agricultural Development Project	AGRIC	42.9	21.5	5.5 (ABC)	15.9	07-Dec-89	10-Jul-90	30-Jun-96	UNOPS	Closed
Shanxi Integrated Agricultural Development Project	AGRIC	50.5	25.4	0.7 (UNDP)	24.5	04-Apr-91	26-Jul-91	31-Dec-97	UNOPS	Closed
Jilin Low-lying Land Development Project	RURAL	55.3	27.6		27.7	14-Apr-92	15-Jun-92	30-Jun-97	UNOPS	Closed
Yunnan-Simao Minorities Area Agricultural Development Project	CREDI	50.6	25.8	0.5 (UNDCP)	24.3	15-Sep-93	10-Dec-93	30-Jun-00	UNOPS	Closed
Qinghai/Hainan Prefecture Agricultural Development Project	AGRIC	40.3	20.0	0.45(ACIAR)	19.8	05-Dec-94	08-Jun-95	30-Jun-01	UNOPS	Closed
Jiangxi/Ganzhou Integrated Agricultural Development Project	AGRIC	48.8	23		25	06-Dec-95	10-May-96	30/06/2001	UNOPS	Closed
Northeast Sichuan and Qinghai/Haidong Integrated Agricultural Development Project	AGRIC	108.08	27.9	32.12 (WFP)	48.1	11-Sep-96	14-May-97	31-Dec-02	UNOPS	Closed
Southwest Anhui Integrated Agricultural Development Project	AGRIC	55.6	26.5	2.8 (WFP)	26.3	11-Sep-97	12-Dec-97	31-Dec-03	UNOPS	Closed
Wulin Mountains Minority-Areas Development Project	AGRIC	107.1	28.0	18.8 (WFP)	60.3	10-Sep-98	21-Apr-99	31-Dec-07	UNOPS	Closed

List of IFAD loans to China, 1981 – 2013										
Project name	*Project type*	*Total project post US$ million*	*IFAD approved financing US$ million**	*Cofinancier amount US$ million*	*Counterpart amount and beneficiary contribution US$ million*	*Executive Board approval*	*Loan effectiveness*	*Project completion date*	*Cooperating institution*	*Project status*
Qinling Mountain Area Poverty-Alleviation Project	AGRIC	106.3	29	14 (WFP)	66.9	08-Dec-99	14-Aug-01	30-Sep-07	IFAD	Closed
West Guangxi Poverty-Alleviation Project	AGRIC	107.2	30	11.2 (WFP)	65.6	07-Dec-00	21-Mar-02	31-Mar-08	IFAD	Closed
Environment Conservation and Poverty-Reduction Programme in Ningxia and Shanxi	AGRIC	90.25	29	7.28 (WFP)	54	11-Dec-02	11-Feb-05	31-Dec-11	IFAD	Completed
Rural Finance Sector Programme	CREDI	21.277	14	6.1 (RCC)	0.4	21-Apr-04	13-Sep-05	31-Mar-10	IFAD	Closed
South Gansu Poverty-Reduction Programme	AGRIC	80.5	29	4.8 (WFP)	46.4	08-Sep-05	22-Aug-06	30-Sep-12	IFAD	Completed
Xinjiang Uygur Autonomous Region Modular Rural Development Programme	AGRIC	55	25		29.9	14-Dec-06	29-Apr-08	30-Jun-14	IFAD	Ongoing
Inner Mongolia Autonomous Region Rural Advancement Programme	AGRIC	70.9	30	5.7 (RCCs)	35.2	13-Dec-07	12-Nov-09	31-Dec-14	IFAD	Ongoing
Dabieshan Area Poverty Reduction Programme	AGRIC	70.8	31		38.9	17-Dec-08	19-Aug-09	30-Sep-15	IFAD	Ongoing
Sichuan Post-Earthquake Agriculture Rehabilitation Project	RURAL	76.97	30		46.5	30-Apr-09	30-Sep-09	30-Sep-12	IFAD	Completed
Guangxi Integrated Agricultural Development Project	RURAL	96.8	47		49.8	13-Dec-11	20-Jan-12	31-Mar-17	IFAD	Ongoing
Hunan Agricultural and Rural Infrastructure Improvement Project	AGRIC	93.2	47		46.2	21-Sep-12	21-Sep-12	30-Sep-17	IFAD	Ongoing
Yunnan Agricultural and Rural Improvement Project	RURAL	94	46		47.3	11-Dec-12	9-Dec-13	31-Mar-18	IFAD	Ongoing
Shiyan Sustainable Agribusiness Development Project (SSADeP)		116.9	43		73.1	12-Dec-13	30 Jan-14	31 March-19	IFAD	Ongoing

IFAD-funded grants in China (1999-2013)

Country grants attached to projects during CPE period

Grant number	*Recipient*	*Programme name*	*Grant amount (US dollars)*	*Approval date*	*Closing date*
Japanese WID Sup. Fund		Gender assessment study and awareness building	265 000	1-Apr-99	
		Workshop on microfinance in IFAD-supported projects in China	50 000	28-Apr-99	
472	Développment International Dejardins (DID)	Technical assistance to support training and capacity-building of the RCCS in the IFAD project	50 000	13-Dec-99	15-Jun-04
473	WFP	Vulnerability analysis mapping unit in China	75 000	16-Dec-99	22-Nov-05
175	ASIA	Training of Tibetan trainers of the Hainan Prefecture in Quinghai Province in English and computer skills	50 000	21-Jun-00	18-Oct-05
195	CIAD	Planning, implementation, impact assessment for IFAD project	75 000	21-Dec-00	29-May-08
21		Pilot project to combat desertification in the Ningxia Hui Autonomous Region	50 000	30-Jun-00	18-Jan-08
111	PRC	West Guangxi Poverty-Alleviation Project	20 000	30-Dec-00	15-Nov-03
528R	PRC	Qinghai/Hainan prefecture agricultural development project	44 000	16-Aug-01	20-Jun-03
576R	PRC	Jiangxi/Ganzhou integrated agricultural development project	22 000	28-Nov-02	31-Aug-03
606	GEF	GEF General Assembly, 16-18 October 2002	27 000	25-Sep-02	15-Oct-04
612	DSE-ZEL	International Conference on Poverty Alleviation in Mountain Areas of PR China	75 000	25-Aug-02	13-Oct-04
14T	UNCCD	Women training and capacity-building project for desertification control in the Ningxia Region	20 000	12-Aug-03	18-Jan-08
269	Plan International Inc. China	Extended cooperation programme (ECP) Agreement. Capacity-building on microfinance in Shanxi region	90 000	18-Dec-03	09-Jan-08
1019	TRC Bank	Capacity-building on microfinance, enhancing training capacities for microfinance institutions in China	200 000	24-Jul-07	09-Nov-12
1089A	Ministry of Finance (MOF)/PRC	Effects of biofuels on agricultural development, food, security, poverty and the environment	200 000	31-Aug-09	30-Sep-12

Grant number	*Recipient*	*Programme name*	*Grant amount (US dollars)*	*Approval date*	*Closing date*
1105	PRC	Sichuan Post-Earthquake Agriculture Rehabilitation Project	1 000 000 SDR	30-Apr-09	31-Mar-13
9	PRC	An integrated ecosystem management approach to the conservation biodiversity in dry land ecosystems	4 545 000	09-May-09	
2R1	YID	Expanding financial service to rural China through remittances	248 000	08-Jul-10	11-May-12
1271	International Poverty Reduction Centre in China (IPRCC)	Promoting South-South cooperation with China in poverty reduction through knowledge sharing	338 000	24-May-11	30-Jun-15
1388	Department of Finance (DOP)/PRC	Hunan Agricultural and Rural Infrastructure Improvement Project	660 000 SDR	21-Sep-12	31-Aug-18

Regional grants including China (1999-2013)

Grant number	*Recipient*	*Programme name*	*Grant amount (US dollars)*	*Approval date*	*Closing date*
484	CIMMYT[a]	Programme for rising demand for maize and intensification of Asian upland farming system: Policy options for productivity enhancement, environmental protection and food security	750 000	03-May-00	30-Jun-05
490	ICIMOD[b]	Securing livelihoods in uplands and mountains of the Hindu Kush-Himalayas: Technical innovations and implementation support to IFAD projects	1 000 000	03-May-00	31-Dec-05
532	ICRISAT[c]	Programme for farmer participatory improvement of grain legumes in rainfed Asia	1 300 000	26-Apr-01	18-Jan-08
582	IDRC[d]	Programme for Electronic Networking for Rural Asia/Pacific (ENRAP)	1 000 000	23-Apr-02	31- Dec-06
607	CIAT[e]	Programme for integrated upland agriculture development using participation approaches in China, Laos and Vietnam (PDRU).	1 450 000	05-Sep-02	20-Nov-09
651	CIFOR[f]	Programme for improving income-generation for forest communities through IFAD's loan portfolio in Asia and the Pacific region	900 000	10-Apr-03	22-Aug-08
705	Biodiversity International IPGRI[g]	Programme for overcoming poverty in coconut growing communities: Coconut genetic resources for sustainable livelihoods	1 000 000	09-Sep-04	31-Mar-09
759	GDG[h]	Monitoring and evaluation capacity building initiative for projects in the Asia and Pacific regions	900 000	21-Dec-04	18-Dec-08
763	ICIMOD	An assessment of the decade of Indigenous Peoples 1995-2004 in Asia	200 000	21-Dec-04	11-Jul-08
663-JP-036	UNIFEM[i]	Gender inequalities and vulnerability of women	200 000	11-Sep-05	31-Mar-08
772	IWMI	Programme for enhancing Mekong region water governance	200 000	19-Apr-05	28-Mar-12
773	ICIMOD	Programme for securing livelihoods in the Uplands and Mountains of the Hindu Kush-Himalayas, Phase II	1 000 000	19-Apr-05	31-Mar-11

[a] International Maize and Wheat Improvement Centre.
[b] International Centre for Integrated Mountain Development.
[c] International Crops Research Institute for the Semi-Arid Tropics.
[d] International Development Research Centre.
[e] International Center for Tropical Agriculture.
[f] Center for International Forestry Research.
[g] International Plant Genetic Resources Institute.
[h] Global Development Group.
[i] United Nations Development Fund for Women South Asia Regional Office (SARO).

Grant number	*Recipient*	*Programme name*	*Grant amount (US dollars)*	*Approval date*	*Closing date*
774	INBAR[j]	Programme for enhanced bamboo and rattan based smallholder livelihoods opportunities	900 000	19-Apr-05	13- May -09
821	FAO	Pro-poor policy formulation, dialogue and implementation at the country level	1 000 000	13-Dec-05	17-Dec-12
828	PGTF-G77[k]	South-South capacity-building and technical cooperation pilot programme	900 000	30-Dec-05	30-Jun-11
836	INBAR	Developing approaches, tools, methods and institutional arrangements to increase scalability, and adaptive replication of bamboo and rattan options in investment projects	200 000	22-Dec-05	03-Jul-08
875	APRACA	Programme for accelerating the financial empowerment of poor rural communities in Asia and the Pacific through rural finance innovations	1 000 000	14-Sep-06	30-Sep-12
902	FAO	Enhancing agricultural competitiveness of rural households in greater Mekong sub-region	900 000	14-Dec-06	31-Mar-13
925	ADB	Strategy and options for integrating biofuel and rural renewable energy production into rural agriculture for poverty reduction in the GMS	200 000	21-Dec-06	26- Apr- 11
956	IDRC	Programme for knowledge networking for rural development in Asia/Pacific	1 085 000	18-Apr-07	31-Mar-11
974	ICRISAT	Programme for linking the poor to global markets: Pro-poor development of biofuel supply chains	1 500 000	12-Sep-07	13-Jun-12
1031	CIAT	Programme for linking livelihoods of poor smallholder farmers to emerging environmental progressive agro-industrial markets countries are Cambodia, Lao and Viet Nam (with links to China)	1 500 000	25-Apr-08	30-Sep-13
1032	ICRAF	World Agroforestry Centre (ICRAF): Programme on rewards for use of and shared investment in pro-poor environmental services (RUPES II)	1 500 000	25-Apr-08	31-Mar-13
1034	FAO	Medium-term Cooperation Programme with Farmers' Organizations in Asia and the Pacific Region	1 083 000	25-Apr-08	30-Sep-13
1130	MARAG[l]	First Asia Regional Gathering of Pastoralist Women in Guiarat	200 000		30-Jun-11
1179	FAO	Programme for Development of Knowledge Sharing Skills	950 000	17-Dec-09	30-Sep-12
1198	Sharma Institute for Human Development	Dynamics of rural transformation in emerging economies - strategic support to a MICs-led international Conference April 2010	200 000	11-Feb-10	31-Mar-12

[j] International Network for Bamboo and Rattan.
[k] Perez-Guerrero Trust Fund.
[l] Maldhari Rural Action Group.

Grant number	*Recipient*	*Programme name*	*Grant amount (US dollars)*	*Approval date*	*Closing date*
1244	ESCAP[m]	Leveraging pro-poor public private partnership for rural development: Widening access to energy services for rural poor in Asia and the Pacific	1 350 000	05-Dec-10	31-Mar-16
1239	CIP	Root and tuber crops research and development programme for food security in Asia and the Pacific Region	1 450 000	05-Dec-10	30-Sep-14
1279	IWMI	Safe nutrient, water and energy recovery: Developing a business case	650 000		31-Dec-13
1284	University of Kassel	Water cope-supporting national research capacity and policy development to cope with dwindling water resources and intensifying land use in the transborder Altay-Dzungarian region of Mongolia and China	1 485 000	04-May-11	31-Mar-16
1287	LPP[n]	Inter-regional Learning on Animal Fine Fibre Processing and Niche Markets	200 000	13-May-11	31-Dec-12
1291	IGA[o]	Scaling-up successful practices on sustainable pro-poor small ruminant development	150 000		30-Sep-13
1304	PROCASUR	Strengthening KS on innovative solutions using the learning routes methodology in Asia and the Pacific	1 000 000	29-Aug-11	30-Jun-16
1312	IWMI	Disseminating challenge programme on water and food innovations and adoption processes for water and food, and piloting their mainstreaming in the IFAD Portfolio	1 000 000	07-May-12	31-Dec-14
1356	WB	Sending money home to Asia and the Pacific: Markets and regulatory framework	1 500 000	15-Mar-12	
	FAO	2011 EC Contribution to the Consultative Group on International Agricultural Research (CGAR)	650000E	28-May-12	
1389	ICIMOD	Bhutan+ 10: Gender and Sustainable Mountain Development in a Changing World	1 500 000	25-Sep-12	31-Dec-13

[m] United Nations Economic and Social Commission for Asia and the Pacific.
[n] League for Pastoral Peoples and Endogenous Livestock Development.
[o] League for Pastoral Peoples and Endogenous Livestock Development.

Methodological note on country programme evaluations

1. A country programme evaluation (CPE) conducted by the Independent Office of Evaluation of IFAD (IOE) has two main objectives: assess the performance and impact of IFAD-financed operations in the country; and generate a series of findings and recommendations that will inform the next results-based country strategic opportunities programme (COSOP). It is conducted in accordance with the directives of IFAD's Evaluation Policy[1] and follows the core methodology and processes for CPEs outlined in IOE's Evaluation Manual.[2] This note describes the key elements of the methodology.

1. **Focus.** A CPE focuses on three mutually reinforcing pillars in the IFAD-government partnership: (i) project portfolio; (ii) non-lending activities; and (iii) the COSOP(s). Based on these building blocks, the CPE makes an overall assessment of the country programme achievements.

2. With regard to assessing the **performance of the project portfolio** (first pillar), the CPE applies standard evaluation methodology for each project using the internationally-recognized evaluation criteria of relevance, effectiveness, efficiency and rural poverty impact - including impact on household income and assets, human and social capital, food security and agricultural productivity, natural resources and the environment (including climate change[3]), and institutions and policies. The other performance criteria include sustainability, innovation and scaling up, and gender equality and women's empowerment. The performance of partners (IFAD and the government) is also assessed by examining their specific contribution to the design, execution, supervision, implementation-support, and monitoring and evaluation of the specific projects and programmes. The definition of all evaluation criteria is provided in annex VI.

3. The assessment of **non-lending activities** (second pillar) analyses the relevance, effectiveness and efficiency of the combined efforts of IFAD and the government to promote policy dialogue, knowledge management, and partnership building. It also reviews global, regional, and country-specific grants as well as achievements and synergy with the lending portfolio.

4. The assessment of the **performance of the COSOP** (third pillar) is a further, more aggregated, level of analysis that covers the relevance and effectiveness of the COSOP. While in the portfolio assessment the analysis is project-based, in this latter section, the evaluation considers the overall objectives of the programme. The assessment of relevance covers the alignment and coherence of the strategic objectives -including the geographic and subsector focus, partners selected, targeting and synergies with other rural development interventions-, and the provisions for country programme management and COSOP management. The assessment of effectiveness determines the extent to which the overall strategic objectives contained in the COSOP were achieved. The CPE ultimately generates an assessment for the overall achievements of the programme.

5. **Approach.** In line with international evaluation practices, the CPE evaluation combines: (i) desk review of existing documentation -existing literature, previous IOE evaluations, information material generated by the projects, data and other materials made available by the government or IFAD, including self-evaluation data and reports-; (ii) interviews with relevant stakeholders in IFAD and in the country; and (iii) direct observation of activities in the field.

[1] http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-7-Rev-1.pdf.
[2] http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf
[3] On climate change, scaling up and gender, see annex II of document EC 2010/65/W.P.6 approved by the IFAD Evaluation Committee in November 2010: http://www.ifad.org/gbdocs/eb/ec/e/65/EC-2010-65-W-P-6.pdf

6. For the field work, a combination of methods are generally used for data gathering: (i) focus group discussions with a set of questions for project user and comparison groups; (ii) Government stakeholders meetings –national, regional/local, including project staff; (iii) sample household visits using a pre-agreed set of questions to household members, to obtain indications of levels of project participation and impact; (iv) key non-government stakeholder meetings– e.g. civil society representatives and private sector.

7. Evaluation findings are based on triangulation of evidence collected from different sources.

8. **Rating scale.** The performance in each of the three pillars described above and the overall achievements are rated on a scale of 1 to 6 (with 1 being the lowest score, and 6 the highest), enabling to report along the two broad categories of satisfactory (4, 5, and 6) and unsatisfactory performance (1, 2 and 3). Ratings are provided for individual projects/programmes, and on that basis, for the performance of the overall project portfolio. Ratings are also provided for the performance of partners, non-lending activities, the COSOP's relevance and effectiveness as well as the overall achievements of the programme.

9. In line with practices of international financial institutions, the rating scale, in particular when assessing the expected results and impact of an operation, can be defined as follows - taking however due account of the approximation inherent to such definition:

Highly satisfactory (6)	The intervention (project, programme, non-lending, etc.) achieved - under a specific criteria or overall –strong progress towards all main objectives/impacts, and had best practice achievements on one or more of them.
Satisfactory (5)	The intervention achieved acceptable progress towards all main objectives/impacts and strong progress on some of them.
Moderately satisfactory (4)	The intervention achieved acceptable (although not strong) progress towards the majority of its main objectives/impacts.
Moderately unsatisfactory (3)	The intervention achieved acceptable progress only in a minority of its objectives/impacts.
Unsatisfactory (2)	The intervention's progress was weak in all objectives/impacts.
Highly unsatisfactory (1)	The intervention did not make progress in any of its objectives/impacts.

10. It is recognized that differences may exist in the understanding and interpretation of ratings between evaluators (inter-evaluation variability). In order to minimize such variability IOE conducts systematic training of staff and consultants as well as thorough peer reviews.

11. **Evaluation process.** A CPE is conducted prior to the preparation of a new cooperation strategy in a given country. It entails three main phases: (i) design and desk review phase; (ii) country work phase; (iii) report writing, comments and communication phase.

12. The *design and desk review phase* entails developing the CPE approach paper. The paper specifies the evaluation objectives, methodology, process, timelines, and key questions. It is followed by a preparatory mission to the country to discuss the draft paper with key partners. During this stage, a desk review is conducted examining available documentation. Project review notes and a consolidated desk

review report are prepared and shared with IFAD's regional division and the government. The main objective of the desk review report is to identify preliminary hypotheses and issues to be analysed during the main CPE mission. During this stage both IFAD and the government conduct a self-assessment at the portfolio, non-lending, and COSOP levels.

13. The *country work stage* entails convening a multidisciplinary team of consultants to visit the country, holding meetings in the capital city with the government and other partners and traveling to different regions of the country to review activities of IFAD-funded projects on the ground and discuss with beneficiaries, public authorities, project management staff, NGOs, and other partners. A brief summary note is presented at the end of the mission to the government and other key partners.

14. During the *report writing, comments and communication of results* stage, IOE prepares the draft final CPE report, shared with IFAD's regional division, the government, and other partners for review and comments. The draft benefits from a peer review process within IOE including IOE staff as well as an external senior independent advisor. IOE then distributes the CPE report to partners to disseminate the results of the CPE. IOE and the government organize a national roundtable workshop that focuses on learning and allows multiple stakeholders to discuss the main findings, conclusions and recommendations of the evaluation. The report is publicly disclosed.

15. *A core learning partnership* (CLP), consisting of the main users of the evaluation, provides guidance to IOE at critical stages in the evaluation process; in particular, it reviews and comments on the draft approach paper, the desk review report and the draft CPE report, and participates in the CPE National Roundtable Workshop.

16. Each CPE evaluation is concluded with an *agreement at completion point* (ACP). The ACP is a short document which captures the main findings of the evaluation as well as the recommendations contained in the CPE report that IFAD and the government agree to adopt and implement within a specific timeline.

Definition of the evaluation criteria used by IOE

Criteria	*Definition*[a]
Project performance	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design in achieving its objectives.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Rural poverty impact[b]	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
Household income and assets	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
Human and social capital and empowerment	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grassroots organizations and institutions, and the poor's individual and collective capacity.
Food security and agricultural productivity	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
Natural resources, environment and climate change	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment as well as in mitigating the negative impact of climate change or promoting adaptation measures.
Institutions and policies	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Other performance criteria	
Sustainability	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
Innovation and scaling up	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and other agencies.
Gender equality and women's empowerment	The criterion assesses the efforts made to promote gender equality and women's empowerment in the design, implementation, supervision and implementation support, and evaluation of IFAD-assisted projects.
Overall project achievement	This provides an overarching assessment of the project, drawing upon the analysis made under the various evaluation criteria cited above.
Performance of partners	
IFAD Government	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. It also assesses the performance of individual partners against their expected role and responsibilities in the project life cycle.

[a] These definitions have been taken from the OECD/DAC *Glossary of Key Terms in Evaluation and Results-Based Management* and from the IFAD Evaluation Manual (2009).
[b] The IFAD Evaluation Manual also deals with the "lack of intervention", that is, no specific intervention may have been foreseen or intended with respect to one or more of the five impact domains. In spite of this, if positive or negative changes are detected and can be attributed in whole or in part to the project, a rating should be assigned to the particular impact domain. On the other hand, if no changes are detected and no intervention was foreseen or intended, then no rating (or the mention "not applicable") is assigned.

List of key persons met*

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Regional, rural poverty and agricultural indicators

Table VIII - 1
The Cuncun Tong Project in Rural China

Infrastructure type	*Project period*	*Total investment (billion CNY)*	*Achievements*
Rural roads	2004 - 2010	200	95% townships and 80% of administrative villages by 2011
Electricity	1998 - 2010	300	95% by 2011
Drinking water	1998 - 2010	100	95% by 2012
Radio and TV	1998 - 2010	20	Target: 100% by 2015 (rural farmers use satellite TV for free and can watch 50 channels)
Telephone	2004 - 2010	50	90% by 2012
Internet	2011 - 2020	330	

Source: Technical Working Paper by Shuai Chuanmin, based on information collected from various official reports by the author.

Table VIII - 2
Four agricultural subsidies (in CNY billion)

	Direct subsidy for grain growers	*Subsidies for agricultural inputs*	*Subsidies for agricultural machinery*	*Subsidies for improved seeds*	*Total*
2003	——	——	——	0.3	0.3
2004	11.6	——	0.07	2.9	14.5
2005	13.2	——	0.3	3.8	17.3
2006	14.2	12.0	0.6	4.0	30.8
2007	15.1	27.6	2.0	6.6	51.4
2008	15.1	71.6	4.0	12.1	102.7
2009	15.1	79.5	13.0	19.9	127.5
2010	15.1	83.5	15.5	20.4	134.5
2011	15.1	86.0	17.5	22.0	140.6
2012					162.8

Source: Shuai Chuanmin, CPE Technical Working Paper, based on Statistical Yearbooks and related literature.

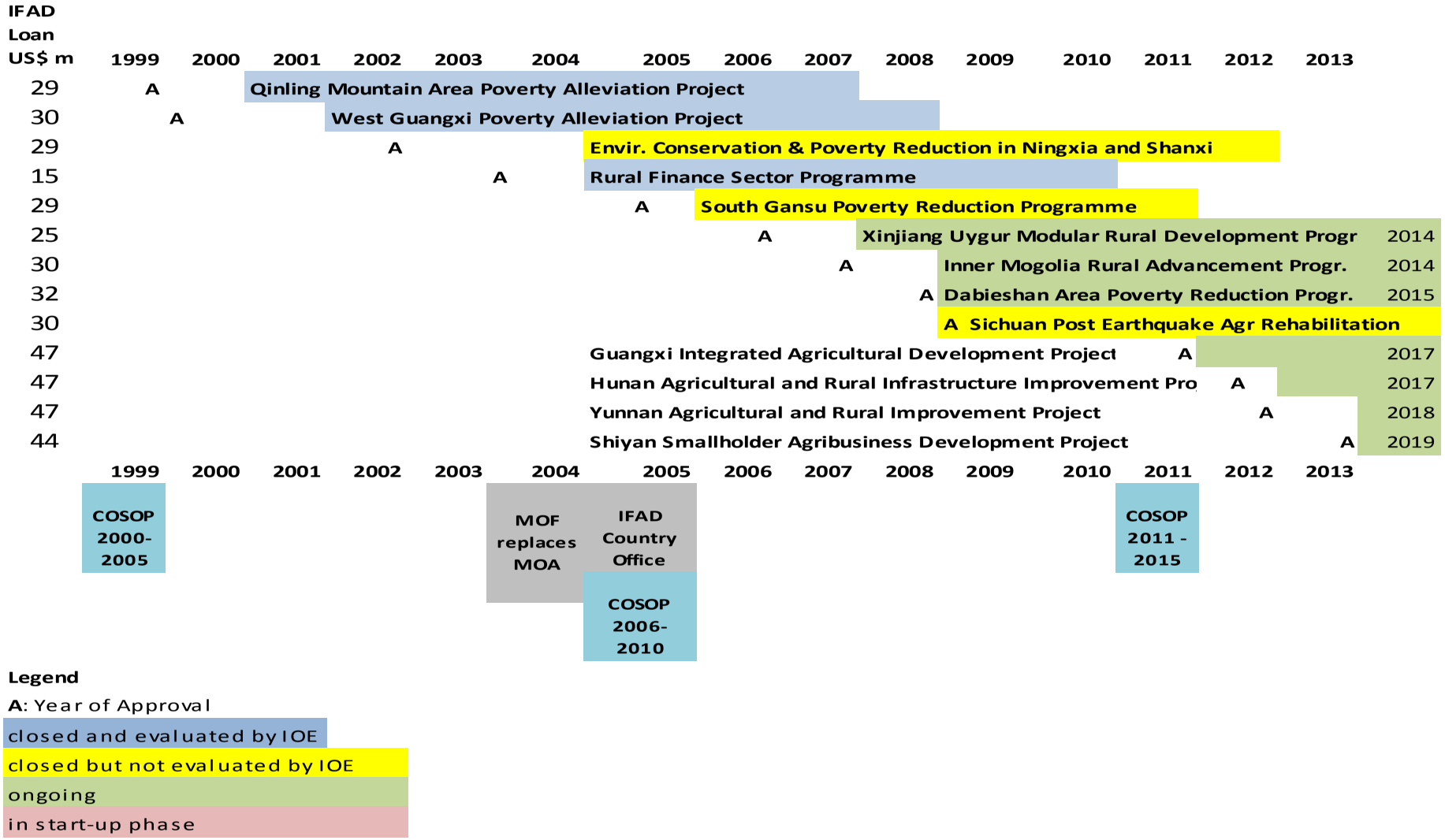
Table VIII - 3
Premium subsidies and premium income of China's agricultural insurance (In CNY billion)

	2007	***2008***	***2009***	***2010***	***2011***	***Total***
Premium subsidy	2.2	3.7	6.0	6.8	7.9	26.5
Premium income	5.3	11.1	13.4	13.6	17.4	60.7

Sources: "China Insurance Yearbook" and the Ministry of Finance website.

Timeline overview of operations 1999 - 2013

Timeline Overview of Main IFAD Activities in the Period 1999 - 2013 Covered by the CPE



Legend

A: Year of Approval

closed and evaluated by IOE

closed but not evaluated by IOE

ongoing

in start-up phase

Areas supported by the projects covered by the CPE

Project[a]	*IFAD loan (% of total)*	*Effective date*	*Closing date*	*Rural Finance*	*Rural Infrastructure* *Drinking water and sanitation* *Roads*	*Agricultural Production* *Farm infrastructure* *Extension services*	*Market access* *Value-chain* *Coops*	*Environment* *Biogas* *Forestry* *Climate change*	*Primary Health/ Education*	*Vocational/ Skills training*
1. Qinling Mountain Area Poverty Alleviation Project (QMAPAP)	29.00 (27.3%) (WFP)	14.08.01	30.09.07	X	X	X	x	X	x	X
2. West Guangxi Poverty-Alleviation Project (WGPAP)	30.40 (28.3%) (WFP)	21.03.02	31.03.08	X	X	X		X	X	
3. Environment Conservation and Poverty Reduction Programme in Ningxia and Shanxi (ECPRPNS)	28.97 (32.1%) (WFP)	11.02.05	31.12.11	X	X	X		X	X	X
4. Rural Finance Sector Programme (RFSP)	14.70 (69.0%)	13.09.05	31.03.10	X						
5. South Gansu Poverty Reduction Programme (SGPRP)	29.30 (36.4%) (WFP)[b]	22.08.06	30.09.12	X	x	X		X	x	X
6. Xinjiang Uygur Autonomous Region Modular Rural Development Programme (XUARMRDP)	25.10 (45.6%)	29.04.08	30.06.14	X		X	x	X		

[a] Twelve out of the thirteen projects covered by the China CPE are listed in this table, with the absence of the SSADEP which was approved in December 2013, after the completion of the main CPE mission.
[b] The WFP contribution was disbursed before 2006 and before the IFAD project became effective.

Project	IFAD loan (% of total)	Effective date	Closing date	Rural Finance	Rural Infrastructure Drinking water and sanitation Roads	Agricultural Production Farm infrastructure Extension services	Market access Value-chain Coops	Environment Biogas Forestry Climate change	Primary Health/ Education	Vocational/ Skills training
7. Inner Mongolia Autonomous Regional Rural Advancement Programme (IMARRAP)	30.00 (42.3%)	12.11.09	31.12.14	X		X	X			
8. Dabieshan Area Poverty Reduction Programme (DAPRP)	31.90 (45.1%)	19.08.09	30.09.15		X	X	x			X
9. Sichuan Post-earthquake Agriculture Rehabilitation Project (SPEARP)	30.47 (39.6%)	30.09.09	30.09.12			X	x	**XX**		
10. Guangxi Integrated Agricultural Development Project (GIADP)	47.00 (48.6%)	20.01.12	31.03.17		X	X	x	X		
11. Hunan Agricultural and Rural Infrastructure Improvement Project (HARIIP)	47.00 (50.4%)	21.09.12	30.09.17		X	X	X	X		
12. Yunnan Agricultural and Rural Improvement Project (YARIP)	46.70 (49.7%)				X	X	X	X		

COSOP objectives and Government's main policy/strategy documents, 1999-2013

IFAD		*Government of China*		
Strategies/ COSOPs	*Objectives and focus*	*Five-year plans*	*10-year Rural Poverty Reduction Strategies and main issues addressed*	*Policies and strategies*
1999 COSOP 1999-2005	1) VAM for selecting project townships; 2) PRA in developing VDPs; 3) RCCs as rural finance providers	10th Five-Year Plan 2001-2005	1st Outline for rural poverty reduction (2001-2010): 32 million people in abject poverty Changing agricultural conditions	Development-oriented poverty reduction strategy; targeting 592 key counties; solving the problem of feeding and clothing of the rural poor. 3 major strategies (models): "the Whole Village Approach", "Poverty Alleviation through Agro- industrialization", and "Relocation of Poverty-stricken Farmers", plus many pro-poor policies and subsidies.
2005 COSOP 2006-2010	Objectives: 1. Access to services and knowledge, finance, land and natural resources, markets 2. Promotion of innovation and scaling up Priorities: a) Organic farming; b) marketing; c) natural resources management; d) technology transfer; and e) empowerment of woman.	11th Five-Year Plan 2006-2010		
2011 COSOP 2011-2015	1) Sustainable use of natural resources and improved technology and advisory services; 2) effective use of rural cooperatives for better access to markets and finance, enhancing resilience to risks; 3) enhanced South-South cooperation and knowledge management	12th Five-Year Plan 2011-2015	2nd Outline for rural poverty reduction (2011-2020): 128 million people with low-income Agricultural modernization and commercialization	Development-oriented poverty reduction strategy; targeting 14 (11+3) major areas, and 3 vulnerable groups (minority, women and children, the disabled) throughout China. New poverty line (2300 yuan or 1 US$/ day) in 2011. Increased government inputs to realize the goal by 2020: "providing adequate food and clothing for low-income and poverty-stricken farmers, and ensuring them access to education, basic medical care and housing". New strategies are added: - food-for-work - Job facilitation - pilots for innovation

Summary of IFAD's 2013 client survey

Rating scaling 1-6 with 6 best	*China*	*Average Asia and Pacific Region*	*Average of all 32 countries*
A. Aid Effectiveness			
A.1 Country Ownership	4.4	4.61	4.64
A.2 Alignment	4.53	4.53	4.75
A.3 Harmonization	4.28	4.44	4.45
Average for aid effectiveness	**4.43**	**4.53**	**4.61**
B. Poverty Reduction Impact			
B.1 Income	4.78	4.70	4.69
B.2 Food Security	4.69	4.67	4.65
B.3 Empowerment	4.91	4.49	4.50
Average for poverty reduction impact	**4.79**	**4.62**	**4.61**
C. Policy Dialogue and Partnership Development			
C.1 IFAD participation in national policy dialogue	4.19	4.33	4.31
C.2 IFAD's support to civil society and farmers organizations to engage in policy dialogue	4.44	4.28	4.19
Average of C.1 and C.2	4.31	4.31	4.25
C.3 IFAD's performance as a partner	**4.56**	**4.53**	**4.55**

Comments of the senior independent adviser on the final China country programme evaluation report

1. **Overview.** China is one of the largest recipients of IFAD's assistance. Since the approval of its first loan in 1981, IFAD financed 27 agriculture and rural development projects within the country, representing a total cost of US$1.94 billion. IFAD's financial contribution amounts to US$775 million. The country programme is managed by a Rome-based country programme manager, and by the IFAD country office established in Beijing in 2005. The country programme evaluation (CPE) has a good coverage of the portfolio: it includes about 50% of the number of projects approved by IFAD for China representing more than 55% of the total IFAD loan amount. This CPE is particularly significant to IFAD and its member countries for ample reasons. These include China's historical transformation over the last few decades, the associated rapid quantitative and qualitative socio-economic shifts that brought China to the rank of upper middle-income countries (MICs), its fast emerging role in international development assistance and the inspiration that the Chinese model is providing for developing countries worldwide. Another reason is that, this is the first CPE undertaken by IOE in China since the Fund's first engagement in 1981. Over the years the Government of China enhanced its engagement with IFAD at various levels including increased financial contributions to the replenishments processes and various analytical engagements. As such the CPE provides a first time opportunity for IFAD's governing bodies to review a comprehensive assessment of the IFAD-China partnership. Lessons learnt from this evaluation will not only be of crucial importance for IFAD-China future cooperation, but they would provide guidance in shaping IFAD's partnership with MICs member countries and low-income countries alike.

2. **A challenging CPE of high quality.** The China CPE is more challenging than other recent CPEs. IOE's CPEs normally cover a ten year period of IFAD's engagement in the country and includes assessment of two country strategic opportunities programmes' periods and six-eight projects. The China CPE encompasses a period of 15 years and assesses the design features and performance of 13 projects. This expanded choice, while adding challenges to the evaluation team, was no doubt the right one for which IOE has to be commended. This wide coverage enabled the evaluation to: a) trace and assess the strategic and operational orientation of three distinct partnership periods between China and IFAD (1999-2005, 2006-2010, and 2011-2015) each with its specific characteristics reflected in three consecutive COSOPs, b) include in the assessment projects belonging to three different generations, thus allowing better representation of the total project cohort, comparative analysis and lessons learnt, c) gauge more accurately the impact of the Government efforts in promoting economic growth and poverty reduction, the associated changes in rural areas hence the most effective pattern of future partnership between China and IFAD. The three above mentioned important aspects have been illustrated very clearly in the CPE report.

3. The CPE report was produced by a highly qualified and well selected team of international and national evaluation consultants. The team received excellent guidance and support from IOE. It produced a comprehensive and very well written report. The line of reasoning is clear, the analysis is rigorous and the conclusions and recommendation follow logically from the analysis. The report emphasizes the positive contribution of IFAD's partnership with China and articulates the ability of the partnership to flexibly adapt the nature of the interventions to accommodate China's rapid economic growth and the changing socio-economic conditions in the rural areas. The report also highlights the challenges faced by the programme, the way they were dealt with and illustrates the emerging challenges and means to address them. It proposes very valid and useful recommendations to guide the

forthcoming COSOP, taking into consideration the changing international role of China as an upper MIC.

4. **The evaluation methodology and process** have been well articulated in the CPE's concise and clear Approach Paper which has been reviewed and approved by partners and stakeholders in IFAD and China. These and the overall objectives of the China CPE are fully in line with IFAD's Evaluation Policy (2011) and IOE Evaluation Manual (2009). The methodological approach adopted by the CPE is very adequate to achieve its set objectives. The approach includes the analysis and assessment of three mutually reinforcing pillars of IFAD-Government partnership: a) the project portfolio, b) non-lending activities, and c) COSOPs. The CPE assessed thoroughly these three pillars individually, and skilfully examined the synergies between them. Their performance has been rated against IOE's evaluation criteria on a scale of 1 to 6. Based on these assessments, the CPE generated an *overall achievement* rating for the IFAD-Government partnership. The CPE provided an elaborate evaluation framework which cites the main questions the team have asked to generate evaluation conclusions. The data and information that have been tapped to generate the responses are comprehensive with multiple avenues for triangulation among different sources of data.

5. The evaluation process was thorough and complied fully with the Evaluation Policy. It consists of five phases: preparatory phase; desk review; country work; report writing; and communication and dissemination including a CPE workshop in-country. Successive versions of the CPE report were reviewed and discussed in various internal forums including IOE's peer reviews, review by the senior independent adviser as well as close interaction with the regional division concerned and the stakeholders in China. As the senior independent adviser I had the opportunity to review and comment on evaluation background documents and several iterations of the CPE report, and to discuss them with team members. I am very satisfied with the final outcome. In compliance with the Evaluation Policy and Manual, the CPE drew on earlier project evaluations and completion assessment by IOE in China, a Country Portfolio Review undertaken by IFAD's Asia and the Pacific Division (APR) in 2011 and two self-assessment reports by the APR and the Chinese partners.

6. **Exceptional portfolio performance: What lessons can IFAD learn?** The CPE provides in chapter IV very good and insightful evaluative judgment in analyzing portfolio performance. Overall portfolio assessment is rated very favorably. Indeed as table 10 demonstrates, the performance rating of the portfolio is by far superior to that of all IFAD projects and those in the Asia and the Pacific region. This stellar performance needs to be further studied in depth (a special exercise to this effect) and lessons learnt from such experience extracted for the benefits of IFAD interventions elsewhere (perhaps in the Insights series of IOE). I would like to mention below two issues in relation to portfolio performance for IFAD consideration.

7. **Scaling up:** Despite the identification of some cases of scaling up at local level, overall performance of scaling up has been the lowest rated criterion in portfolio performance (moderately unsatisfactory-3) by both the CPE and the CPR. The main reasons given is the insufficiency of project budgets to assess the potential and feasibility of scaling up successful innovations, the understandable interest of sub-national government to keep project resources within its boundaries and the absence of a national technical partner which can capture innovation at local level, assess it and promote it more widely. It is encouraging that both IFAD and the Government have expressed a clear priority to strengthen this aspect. The inclusion of scaling up in the CPE recommendation for next COSOP is most welcome.

8. Scaling up should become a "**mission critical for IFAD/China partnership"** for the sake of broadening the poverty impact of the relatively limited IFAD lending to China. To this effect scaling up should be planned and implemented methodically and be clearly linked to the identification of successful innovations, and innovative approaches. The CPE concluded that, in the past, innovations developed sporadically in a dissipated manner during implementation without a clear plan for scaling up. IFAD/Government may wish to define jointly a focused innovation agenda related to critical issues in poverty reduction with concrete approaches and strategies for scaling up successes. Following **IOE's CLE of innovation and scaling up** (2010) IFAD's Programme Management Department developed clear guidelines for scaling up successful innovations, linked to the knowledge management function. It is advisable that this approach is integrated in the new COSOP and subsequent project design and implementation, with adequate resources for the purpose. Grants resources, if available, can be used to assist in achieving the concrete objectives in this regard. It might be appropriate to issue some guidance to operational staff in the IFAD Country Office to pursue this agenda effectively during supervision. Scaling up will also require more investments in knowledge management and more engagement with partners at national level and international partners.

9. Considering the 13 projects included in the CPE, but also over the full cohort of 26 projects since 1981, quite a few projects were implemented successively in the same regions e.g. Yunna, Hunan, Sichuan, Xinjang, Shanxi, Jillian, Guangxi, etc. The CPE could have benefited from some further analysis of the reason for this: whether there were elements of large scale scaling up of successful approaches, what were they, and whether it is possible to benefit from the lessons learnt there in strengthening scaling up efforts in the future. This could be done in the context of preparation work for the new COSOP.

10. **Rural finance.** The CPE finds that effectiveness in the area of rural finance has been mixed. This is surprising given the vast and successful experience of rural finance in other countries in the Asia and the Pacific region. The explanation given relates to inadequacies of the institutions in charge in the early period, and the transformation of those used in later period to cater for larger more commercially oriented activities. Issues related to whether IFAD had tried to introduce best practices in rural finance or influence existing institutions to do so, for example through exchange visits to other countries in Asia and the Pacific region, could be equally important. It might be useful to undertake, jointly with Chinese partners, a focused study on the prospects for introducing appropriate rural finance systems to identify constraints and potential in this sub-sector in preparation for the new COSOP. It is also encouraging to read that IFAD has approved in 2013 a US$1.1 million grant to document "Best Practices of Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries". This will no doubt contribute in the future to enrich the IFAD programme in China with successful experiences in rural finance elsewhere.

11. **Non-lending activities.** The CPE concludes that the performance of non-lending activities (knowledge management, policy dialogue and partnership-building) has been overall moderately satisfactory (rated 4). Among the component of non-lending activities the CPE finds that policy dialogue has not been an explicit area of focus in the country programme. IFAD has attempted to undertake policy dialogue with local governments, using IFAD-supported projects as the platform, but on the whole, IFAD has focussed mostly on area-based projects at the provincial level. Its engagement with Government or other donors in policy development has been limited at the national level, partly due to the absence of the permanent presence of the IFAD CPM in China. The CPE rated policy dialogue as moderately unsatisfactory (3); the lowest among the non-lending components. This finding is not significantly different from findings of most other CPEs, except perhaps for

some countries in the Latin America and the Caribbean (LAC) region. In this regard inter regional exchange of experience is called for. It will be useful to investigate how can the China-IFAD partnership benefit from the experience of LAC especially in using grants for promoting evidence based policy dialogue and institutional innovations (see for example the Grant entitled "Policy Processes for Large Scale Impact, for the Latin American Center for Rural Development, to facilitate evidence based policy dialogue in Mexico, El Salvador, Colombia and Ecuador" (phase 2 approved in April 2013).

12. **Assessment of the Government-IFAD partnership.** Overall, IFAD/Government partnership (consisting of the project portfolio, non-lending activities, and COSOP) is assessed as satisfactory (5) by the CPE. It is worth noting that IOE has conducted more than 20 CPEs in the last five years in various countries in all geographic regions covered by IFAD operations. China is one of the very few countries where IOE has assessed the overall partnership between IFAD and the country to be satisfactory. IFAD and the Government have to be highly commended for this outstanding performance.

13. **Conclusions and recommendations: Targeting.** Overall, the approach proposed makes much sense, but few issues must be flagged: a) there are too many legs for the approach proposed; and while this ensure comprehensiveness and flexibility in reaching the poor it runs the risk of spreading IFAD's interventions thinly and losing the focus and concentration needed for efficiency, innovations and visible impact; b) it is crucial to keep an eye on the changing socio-economic context to ensure continuous relevance; for example the observed trend in increasing wage rate and the consequent possible relocation of foreign investments to cheaper countries may result in return migration and re-population of the once deserted villages. Remittances and accumulated savings will thus have to play a role in rebuilding these communities; and c) on a more general level, rural poverty levels have been reduced dramatically and it has become more challenging to eradicate remaining poverty pockets. Past impressive figures on the rural poor whom IFAD projects helped to escape poverty are now more difficult to obtain and increasingly the numbers are likely to be attributed more to government's agricultural subsidy, welfare programs as well as off-farm income and remittances.

14. **South-South and triangle cooperation.** South- South and triangular cooperation are cost effective means to share development solutions and enhance capacities in developing countries. Global demand for such solutions is at all times high. As mentioned above (para1) the spectacular success of china in achieving economic growth and lifting its people out of poverty is an inspiration for many countries. The success of the IFAD-China partnership encompasses no doubt valuable transferable development solutions to other countries. With its long experience in rural poverty reduction IFAD is very well positioned to play a facilitating role in triangular cooperation for the exchange and sharing of development solutions between China and developing countries member states and vice versa. One of IFADS's major Rome partners (Food and Agriculture Organization of the United Nations [FAO]) has a well-established South-South cooperation programme. China has put a high priority on such cooperation as indicated by its very active involvement in the IFAD's grant programme on South-South cooperation, as well as its pledge of US$50 million in October 2014 to FAO in support of this cooperation. The CPE recommendation to promote such cooperation and to explore the opportunities for establishing within IFAD a dedicated facility to this effect is a rational way forward. Cooperation with Rome based agencies can also be explored.

15. **Strengthening IFAD's country office.** The CPE recommendations to strengthen the IFAD country office and to out-post the CPM are the right way forward. I fully support the CPE's questioning of the IFAD's Asia and Pacific Division strategic choice in this context.

16. **Addressing environmental pressures and climate change.** While fully recognized in the report, the CPE recommendations are somewhat short on these important dimensions. Due to the alarming proportion of these issues promoting sustainable agriculture practices and climate change mitigation and adaptation should be embedded in all IFAD interventions in the agriculture sector.

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